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BUSINESS WEEK

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A McGRAW-HILL PUBLICATION

JULY 23, 1955

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return 112% annually on our investment."**

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Photo courtesy Chas. Pfizer & Co., Inc., Grand, Conn.

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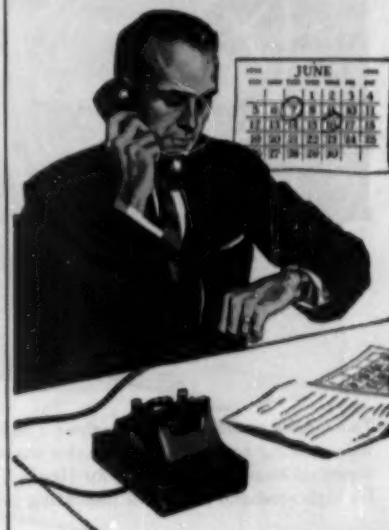
BUSINESS MANAGER Richard E. McGraw

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BUSINESS WEEK • July 23, 1955

To the most
important man
we know...



the man who **MUST**
have shipments on time!

If you or your customers sometimes have to wait days—or even hours—for goods or parts that can start making money **only** after they arrive, you should find out **NOW** about the new **Slick Overnight Service** between major cities.

SLICK saves days compared to
Railway Express

SLICK saves $\frac{1}{2}$ to $\frac{2}{3}$ the cost
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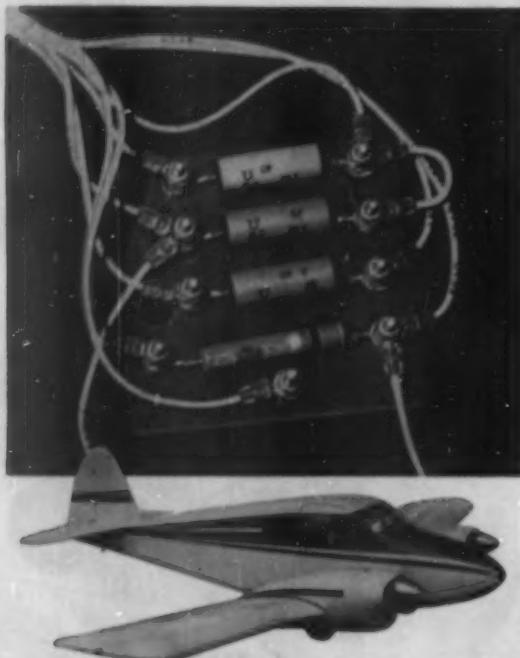
The new **Slick** serves over 30 cities, coast to coast. Check your phone book; our representatives can probably show you how to save time at little or no extra cost.

Have your Shipments sent
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SPEED • ECONOMY • DEPENDABILITY

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For rates and schedules write
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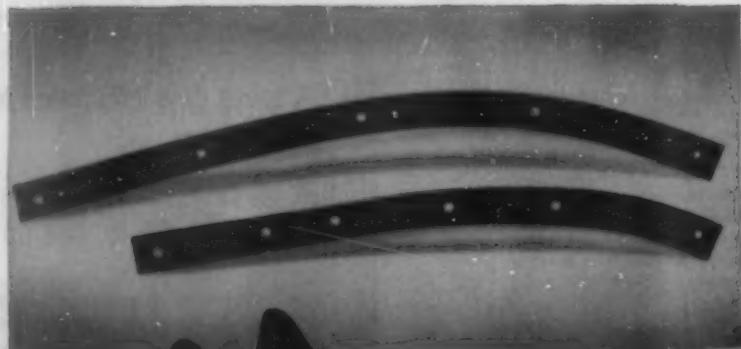


Twin-engine speedster for executives, the Piper "Apache" uses, among other parts of Taylor materials, a resistor terminal board made of Taylor Grade C . . . chosen for its high strength and good insulating properties.



High speed tactical bomber, the Martin B-57, has many Taylor materials . . . like these terminal strips of Grade 353 and Grade C phenol laminate and Grade GEC epoxy laminate . . . each chosen for its combination of electrical and mechanical properties.

Here's how the aviation industry



Giant among commercial transports, Lockheed's Super Constellation makes use of Taylor canvas base phenol laminate in the sealing strips on the crew door . . . an application where this flexible, long-wearing material proves a most effective answer to the designer's problem.

For the Products You Make

Investigate these Taylor Materials

Vulcanized Fibre	Melamine Laminates
Phenol Laminates	Epoxy Laminates
Silicone Laminates	Combination Laminates
Polyester Glass Rods	

Fleeting fighter, the North American F-86 Sabrejet contains more than a dozen different parts made of Taylor materials. This multiple fuel line clamp, for example, is made of Taylor fabric base laminate, chosen for its mechanical strength and resistance to extremes of temperature and humidity.



uses Taylor Fibre and Laminates

WHEN it comes to choosing light-weight, high-strength materials, the men who design and build modern aircraft are tough to please. And with good reason. From ground level to extreme altitudes . . . from comfortable cruising to supersonic speeds . . . you can't compromise with quality.

For use in executive transports to jet bombers, the aircraft industry has approved and relies upon Taylor materials. Numerous grades and shapes of Taylor phenol, melamine, silicone and epoxy laminated plastics fill a wide range of responsibilities in many of the nation's leading aircraft.

In addition to the examples pictured here, Taylor materials are used by air-frame manufacturers for such diversified applications as gun camera sliding doors . . . electrical pressure seals . . . fairleads . . . trim tab end pieces . . . rubbing and bumper blocks

. . . as well as in the construction of plastic jigs, fixtures and forming dies. Engine manufacturers use the performance values of these materials in electrical systems, valve seat discs, gaskets and dozens of other applications. Taylor also supplies materials which aircraft sub-contractors use in fuel systems, motors and generators, electronic apparatus and automatic pilots.

To help you choose the grade of material that matches your particular requirements, Taylor offers the engineering experience of its staff of field and home office specialists. And to simplify your production, buying and stocking problems, you can profit by Taylor's fabricating service . . . which produces finished fibre or laminated plastic parts to your specifications. Get in touch with your nearest Taylor sales engineer.

TAYLOR FIBRE CO. Plants in Norristown, Pa. and La Verne, California

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TAYLOR
Laminated Plastics
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FLY THE SAFER, SMOOTHER COURSE WITH

Bendix STORM-AVOIDANCE RADAR



Actual storm ahead as pilot sees it on radar scope. It indicates that, by changing course very slightly to the right, he will find a smooth, storm-free route.

This great safety device gives to executives who fly in

YOU heads of companies which own and operate their own airplanes for executive use should take a very serious look at the safety advantages of new Bendix storm-avoidance radar.

Over and beyond the obvious value of human life, the **business** value of a plane-load of top executives is almost impossible to reckon. So anything you do to increase the safety factor in your company plane is a very sound investment.

Equipping it with Bendix storm-avoidance radar is a definite safety measure. Airline pilots and military fliers who have flown millions of miles with Bendix

radar say it's the greatest thing to come along in years!

What it does is see storms your pilot cannot see . . . night or day . . . as far as 150 miles ahead. It pictures these storms in detail on a radar screen in the cockpit so your pilot can confidently decide what to do—skirt the storm or fly through it if the radar shows a clear passageway.

Storms are not always turbulent from edge to edge. There are often safe, smooth corridors through them but, up to now, pilots have had to be guided by what they could see with their own eyes.

Bendix storm-avoidance radar also differentiates



added protection business aircraft!

between hail and rain. If you have ever seen an airplane after it has tangled with a bad hailstorm or had to foot the repair bill, you will appreciate this great advantage. It also acts as a navigational aid. Even in fog or heavy overcast it can see rivers, mountains and the outline of the terrain below.

Because of its added safety value to your executives the Bendix® Airborne Radar System belongs in every large executive-type aircraft. Write for the booklet "Bendix Airborne Radar Systems" or contact the General Manager, Bendix Radio Division, Baltimore 4, Maryland.



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radar; auto, railroad, mobile and aviation radio; television.

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telemetering equipment; hydraulic and electric actuators; depth recorders; boat steers.

PIONEER-CENTRAL, DAVENPORT, IOWA
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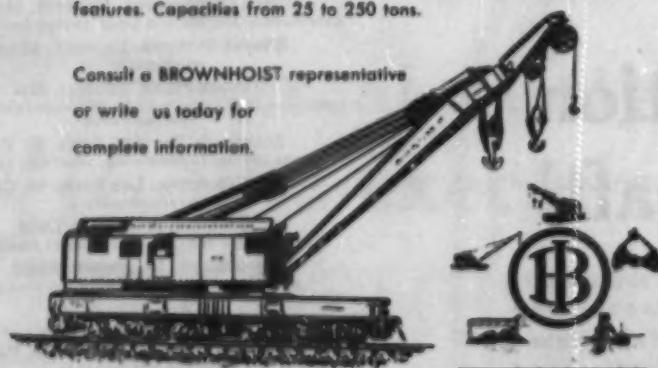
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"The show must go on."

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A BROWNHOIST diesel powered rail crane is an asset to any railroad. They are powerful! They are reliable! They are efficient because they combine latest design and simplified operating features. Capacities from 25 to 250 tons.

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READERS REPORT

Fore!

Dear Sir:

In our industrial development program for Indiana, Pa., it was brought to our attention early in our promotion that "You Gotta Have a Golf Course" [BW—Jun. 25 '55, p86].

For the second year our people have promoted an Industrial Golf Day at the Country Club. A full day of golf and a dinner in the evening have brought nearly 200 golf fans from a dozen or more of our manufacturing people whose obvious enjoyment of the occasion is proof of the theme of your fine article.

Indiana, Pa., has been successful in attracting two fine industries in the past four years and the availability of two golf courses and other outstanding recreation facilities have contributed no small part.

These changing times are putting unusual emphasis upon communities that keep abreast of the swiftly changing pattern of life.

WILLIAM L. INGERSOLL
EXECUTIVE SECRETARY
INDIANA CHAMBER OF COMMERCE
INDIANA, PENN.

Welfare Funds

Dear Sir:

I have a very considerable interest in the problems which arise in the organization and the administration of welfare funds, particularly those resulting from labor-management negotiations. This interest, in part, flows from the fact that I am an employer trustee of one such fund and have recently participated in the organization of another. Furthermore, I am the chairman of the Committee on Welfare Fund Legislation of the Commerce and Industry Association of the City of New York which has concerned itself with this area.

The purpose of my letter is to congratulate you and the editorial staff of BUSINESS WEEK on the excellent and most informative article in your June 25 issue, entitled "Setting the Course for Funds" (page 154). This article satisfies a very badly felt need. Management representatives and labor union delegates who are called upon to negotiate and to operate welfare funds usually have tragically little experience or information which would serve to guide them in their conduct. This circumstance constitutes an important contributing cause of



add ...the busy stockbroker's office to businesses everywhere that use the Remington Rand Electric Adding Machine. The 10-key touch control board saves time, and this machine subtracts, multiplies and gives automatic totals.

add ...the clever architect to the many professional people who enjoy *cushioned power* on this adding machine. It operates with less noise ...allows accurate figuring and "thinking" in a quiet atmosphere.

add ...the versatile showman to the other business operators that "count the house" using this machine and get a permanent record of their figures on 2-color tape.

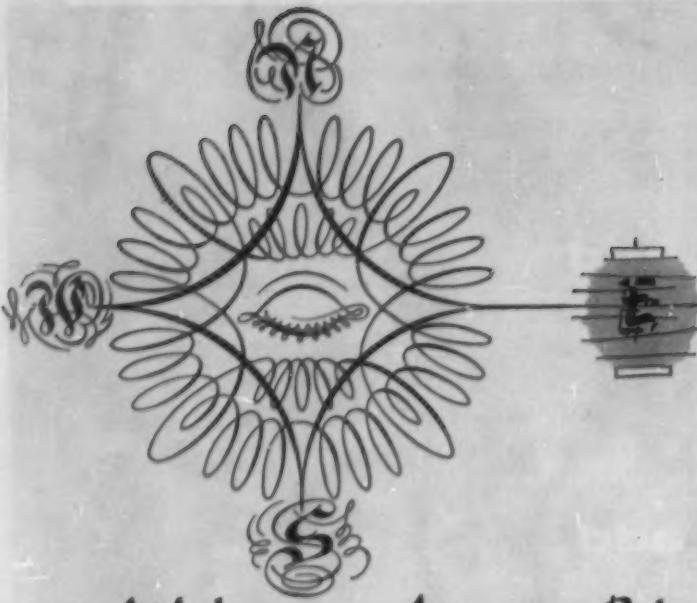
add ...**YOURSELF** to the total of men and women in so many different fields who have found an adding machine that more than adds up to their expectations!

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there is no better
adding machine than the
Remington Rand
all-electric!

Remington Rand

DIVISION OF SPERRY RAND CORPORATION



Wake-up, Marco Polo, there's a new chemical continent more challenging to the minds of men than anything you found in the East.

Sharpen your quill, then, and write of this new world of silicones with the same magic you used to make men sail westward beyond the edge of the earth.

Tell of a rubber made from rock . . . rubber that won't melt on oven doors or freeze solid at stratospheric temperatures. Write of a rubber called Silastic that is the most nearly perfect insulating material ever developed for electric machines.

Tell of a liquid wrung from rock . . . more transparent than a mountain stream, more consistently fluid than any other liquid. Tell how these silicone fluids polish without rubbing . . . replace steel springs . . . release rubber and metal parts from the molds that shaped them . . . lubricate electric clocks to make time pass more quietly . . . protect glass or a baby's skin.

Write of the silicone resins that keep paint from blistering on space heaters or multiply by ten the life of electric motors and transformers.

Speak of how ceaselessly silicones hate water. Tell of a silicone called Sylflex that keeps the life in leather; lets it breathe and still excludes water. How another silicone called Sylmer forms an invisible slipcover to protect and enhance the beauty of decorative fabric. How apparel fabric is finished with Dow Corning silicones to feel better; shed rain and water borne stains; stay new looking longer with less care.

But tell them not to wait for you to find the proper words. Many companies of men have already staked their claim to a larger share of the market through the skillful use of Dow Corning silicones.

For your copy of "What's a Silicone?" and the 1955 Reference Guide to Dow Corning Silicone Products, write to Department 2207.

Dow Corning Corporation

Midland, Michigan . . . first in silicones

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CANADA: DOW CORNING SILICONES LTD., TORONTO GREAT BRITAIN: MIDLAND SILICONES LTD., LONDON FRANCE: ST. GOBAIN, PARIS



the maladministration, inefficiency and abuse that has recently been disclosed in the reports of legislative committees, the report of the Superintendent of Insurance of the State of New York and the public press. Your explanation of the availability of consultative services in the field, how the consultants operate in relation to the fund trustees, the types of fee arrangements, etc., are certain to be of great assistance to both management and union representatives who have the important responsibility of creating and administering these funds, the stability and smooth operation of which are essential to the security of a large portion of our working population.

I also wish to observe that it was a happy thought to focus your discussion upon the activities of Martin E. Segal and his organization. It is my personal opinion, based upon my own experience and knowledge, that that firm performs the very highest class and most useful type of service in the field of labor-management welfare funds. I doubt that you could have made your point as trenchantly, nor that you could have rendered as much assistance as you have to management and union representatives if your editorial staff had developed the article around the activities of any other consultant.

PETER SEITZ

VICE-PRESIDENT
LIEBMANN BREWERIES, INC.
BROOKLYN, N. Y.

Dairy Progress

Dear Sir:

As a regular reader of your magazine I wish to compliment both you and your San Francisco staff for the excellent article on Foremost Dairies in the June 25th issue, p 178.

It is factual and describes the progress being made by the company very well. We are engaged in an intensive research program and hope in the not too distant future to again read about our progress in the dairy industry in your publication.

E. L. VOLKWEIN

VICE-PRESIDENT
FOREMOST DAIRIES
SAN FRANCISCO, CALIF.

Your Portrait

Dear Sir:

On June 25 there appeared in your magazine—page 167, under Personal Business—an article regarding portraits, and I quote from



Phillips Petroleum Company, in 1943, began commercial production of a new carbon black, using an oil feed instead of natural gas. This revolutionary new method was not only far more efficient . . . it also resulted in new and outstandingly better types of carbon black for compounding into finished rubber products.



The Four Philblacks®... and How They Grew!



The first of the new blacks produced by the revolutionary new method was called Philblack A. This Philblack is preferred for smooth tubing and accurate molding. Four years later, after intensive study, Phillips developed another black with greatly increased reinforcing qualities . . . Philblack O. And continued research led, in 1952, to Philblack E, the world's toughest carbon black! Latest member of the famous Philblack family is Philblack I which was produced to meet demand for a sturdy black at moderate cost. These four Philblacks, each with its own individual advantages, are widely used here and abroad. Philblack is another phase of the highly diversified manufacturing industry which Phillips carries on, using petroleum as its basic raw material.



"Up to 42% longer tread wear!" Cold rubber tire treads made with Philblack E, the Super Abrasion Furnace black, beat all records for mileage . . . 35%

to 42% better than treads made with High Abrasion Furnace black, in actual tests on passenger cars under severe road test conditions.



PHILLIPS PETROLEUM COMPANY

Phillips Chemical Company, a Subsidiary Bartlesville, Oklahoma

We Put the Power of Petroleum at America's Service



It's There Because IT'S NEEDED and So Is Every Truck You See!

**Motor Trucks Handle 3 Out-Of Every 4 Tons Of Freight
That Moves In This Country — That's How Important
Trucks Are To Business, To Agriculture, To You And
Everyone Else In America!**

Since the first motor truck replaced a team of horses in this country a half century ago, the number of commercial vehicles has grown steadily and substantially — and the reason is clear: trucks perform a vital economic service, and they do the job as no other form of transportation can!

Nobody operates a truck for fun — or as a hobby. It's there — at the loading dock, on the highway, in the farmyard — because it's *needed*. And because the need has constantly grown through the years, the number of trucks in service has grown — from 4,513,000 in 1944, for example, to 9,412,000 in 1954.

Business depends on trucks, farmers couldn't get along without trucks, and as for the individual consumer — well, everything he eats, wears, or uses gets to him by truck.

For fast, flexible, economical transportation, there's nothing like the motor truck — servant of *all* the people.

AMERICAN TRUCKING INDUSTRY



American Trucking Associations, Inc., Washington 6, D.C.

If You've Got It . . . A Truck Brought It!

this article: "The best way to find such an artist is to check with your local art museum. Chances are you will be referred to Portraits, Inc., in New York."

I am writing to say that Grand Central Art Galleries have been portrait specialists for more than *thirty-two years*, and *forty* of the leading portrait painters are members of these Galleries.

We occupy the entire sixth floor of the Grand Central Station and the work of our portrait painters is on continuous exhibition here. We have placed such important portrait commissions as Pres. Dwight D. Eisenhower, painted from life by Thos. E. Stephens (now on exhibition in our Galleries); John L. Collyer, President of Goodrich Rubber Co., painted by Commander Albert K. Murray; Col. Barton White, President of Baltimore & Ohio Railroad, by Paul R. Trebilcock; and we have arranged portrait sittings for college and university presidents for such well-known institutions as Bryn Mawr College, Holy Cross College, Boston University, New York State University, Colgate University, and many others.

We are a non-profit organization operating solely in the interests of American art and culture. Our Board of Trustees, who serve without remuneration, includes such distinguished industrialists as Thomas B. Watson, President of International Business Machines; Arthur B. Davis, President of Alcoa; Cleo F. Craig, President of AT&T Co.; the Honorable Walter L. Clayton, and the Hon. Walter S. Gifford, and others.

ERWIN S. BARRIE

DIRECTOR AND MANAGER
GRAND CENTRAL ART GALLERIES
NEW YORK, NEW YORK

The Hoover Job

Dear Sir:

In the July 2nd issue you gave the Intergovernmental Relations Report a full page and a half publicity about state and city governments not doing their job. Again this week on page number 156 another full page about the same thing "To Decentralize Government." Thus throwing the blame of big government on the states and keeping Pres. Eisenhower more or less in the clear.

Only a few words so far are said about the Hoover Commission Report. It would be only fair to give our distinguished statesman equal space for the tremendous job he

LOST...

LIFE PROPERTY PRODUCTION PROFITS



Eastern Iowa. Smoke billows from one of several industrial buildings where fire caused many thousands of dollars damage. (WIDE WORLD PHOTO)



Scorched remains of Philadelphia hotel gutted by million-dollar blaze.
Unsprinklered building was a total loss. (U.P. PHOTO)



Fire at this Detroit, Michigan chemical warehouse caused a property loss of \$500,000. Sixty persons were routed from the two-story structure. (U.P. PHOTO)

No fixed fire protection was available to combat fire at this Southwestern oil refinery and storage district ravaged by high-loss, uncontrolled blaze. (U.P. PHOTO)

Owners and users of property should take every step within means to safeguard against fire loss. ENGINEERED "Automatic" Sprinkler PROTECTION and FIRE INSURANCE, working together, is the only economical answer. Let us show you why.



"Automatic" Sprinkler
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YOUNGSTOWN, OHIO

Offices in Principal Cities of North and South America



Big story in a want ad—

Four electric billing machines for sale...because the invoicing formerly done by four girls is being done by one—with an Ozalid machine! Saving \$700 a month!

How? Salesmen write their orders on translucent paper forms. Prices, extensions, directions, and terms are added. Ozalid copies serve as invoices, bills of lading, sales records, etc.

Ozalid makes exact, clear copies of anything typed, written, printed or drawn on any translucent (lets light through) material—without negatives, stencil, messy developing. The copy is made in less than a minute, costs less than 2¢. And anybody can use an Ozalid machine.

Ozalid gets rid of hand copying, retyping, transcribing or redrawing—saves time spent on repetitive tasks.

And makes quick copies of bulletins, reports, memos, letters, charts, etc.

Ozalid-copied requisitions are used as purchase orders, vouchers, debit memos, receiving records—often save discounts as well as time.

ANY office can save time, cut costs with Ozalid. For a demonstration, call any Ozalid distributor (*see phone book*). Or write 80 Ozaway, Johnson City, N. Y. In Canada, Hughes Owens Co., Ltd., Montreal.

OZALID—A Division of General Aniline & Film Corporation...*From Research to Reality*

OZALID

BAMBINO (right) is the smallest, fastest, low-priced office copying machine; will make 200 copies an hour, as wide as 9" for less than 2¢ a copy.



has done to show we "can balance the budget and also reduce taxes."

EDMUND G. ELSNER
CHICAGO, ILL.

• BW has written often, and favorably, of the work done by the Hoover Commission.

Why OTC?

Dear Sir:

Congratulations to you on your editorial in the June 25th issue of BUSINESS WEEK on OTC.

Your editorial explains OTC in such a way as to remove cause for suspicion and replaces this with understanding and knowledge as to the true purpose, and therefore the necessity, for such an organization.

C. H. PERCY

PRESIDENT
BELL & HOWELL COMPANY
CHICAGO, ILL.

An Ungodly Number

Dear Sir:

In your "Readers Report," Charles Elcock [BW—Jan. 8'55, p8] and William Newberry [BW—Jan. 22'55, p8] cite the Bureau of the Census as the source for a statistic of 66,000,000 as representing the number of persons who are not church members. The Census Bureau has made no report on church membership of the United States population since the last Census of Religious Bodies in 1936... when church membership of 55,872,000 was reported...

Annually, the Census Bureau publishes the Statistical Abstract of the United States and in recent years has included a statistical table furnished by the National Council of Churches of Christ, presenting church membership data compiled by the Council. The 1953 Statistical Abstract reported U. S. church membership at 88,673,000. [At that time] the Census Bureau's estimate of the total U. S. population [was] 154,360,000.

Obviously, Reader Elcock took a Census Bureau estimate of the total population, subtracted from it the estimate of church membership from other sources, and then described the residual as a Census Bureau estimate of the number of persons without [church] membership.

... For the record—this is not a Census Bureau estimate.

ROBERT W. BURGESS
DIRECTOR,
BUREAU OF THE CENSUS
WASHINGTON, D. C.

Are single-purpose lubricants
EATING UP
valuable floor space?

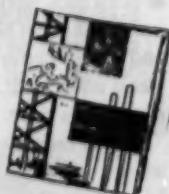


Cut costs with Pure's
"Simplify and Save" plan

Floor space is just one of the many things you'll save on when you change to Pure Oil's multi-purpose lubricants. Chances are, you'll need only 6 of these versatile lubricants to do the same jobs you now use dozens of oils and grease to do.

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See how Pure Oil's "Simplify and Save" Plan can cut costs in your plant. Put in a collect call now to your nearest Pure Oil office.



Free Booklet tells you "How to Simplify and Save." Write The Pure Oil Company, 35 E. Wacker Drive, Chicago 1, Ill. (Offer limited to Pure Oil's 24-state marketing area.)



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Spring lingers on, all year 'round when you have an American-Standard Remotaire Heating-Cooling System in your building. Just set the individual room temperature control, and the Remotaire units heat or cool the air, blend it with fresh outside air, filter it, and circulate it throughout the room. You've turned on Spring, and feel fresh as a daisy.

Remotaire Systems are easy to

install and take up little space. A simple piping circuit carries hot or chilled water to each room unit from a centrally located American-Standard chiller and boiler. This efficient system eliminates bulky ducts, and allows individual room temperature, air circulation, and ventilation control.

The Remotaire can be used in modernization as well as new con-

struction. And the handsome room units can be installed free-standing, recessed into the wall or completely enclosed.

For more information about the complete Remotaire System—chiller, boiler and room unit—write Plumbing and Heating Division of American Radiator & Standard Sanitary Corp., P. O. Box 1226, Pittsburgh 30, Pa.



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BUSINESS OUTLOOK

BUSINESS WEEK
JULY 23, 1955



No "agonizing reappraisal" of business prospects was in order this week as the Big Four met in Geneva, even though the stock market did seem to have its uneasy moments (page 130).

The short-run outlook—for 1955 and early 1956—won't be altered.

Longer run, any arms reductions that might come from easing tensions should be more than made up in expanded world trade.

Business in this country promises to accomplish one of those "rolling readjustments," while hardly even noticing it (page 28).

Heavy industry is pulling steadily up toward 1953 peaks.

Meanwhile, the two prime movers in revival and boom—autos and housing—no longer are providing any upthrust.

Auto output actually hit its peak in March and has been declining each month since. (And the summer slack is still ahead.)

The reason this hasn't been felt more is that output still is extremely high. June's 650,000 cars, highest for the month since 1950, compare with 505,000 last year. March, however, had hit 795,000.

Competitive notes on the race in auto output and sales:

- Chrysler, holding 19% of industry output until early May, has gradually been slipping; last week the company was below 15%.
- Buick is widening its lead over Plymouth for third place, both in production and in registrations.
- Ford and Chevrolet registrations were neck and neck through May. But Chevvis is increasing its lead in output.

Auto dealers individually generally profess to be unworried over stocks. But their spokesmen are wailing about the problem of clearing record inventories before the new models hit the showrooms.

At the same time, used-car prices have started their seasonal slide.

Thus, if you're in the market for a new car, you probably will find dealers shaving their margins thinner and thinner. But even so they may not be able to give you as much on your trade-in as they could have earlier.

Housing still was doing extremely well in June. In fact, each month of the second quarter saw work started on about 130,000 homes.

Allow for the seasonal swings that are so pronounced in construction, and each month was just above an annual rate of 1.3-million starts. That, too, was excellent. But it was off from the first quarter.

Here's the crux: Housing no longer is lifting over-all activity.

Highest point for housing, if you go by the official figures as seasonally adjusted, actually was last December.

The peak then was at an annual rate of 1,478,000 new dwellings.

January held close, at 1,419,000. Then came February and March at 1,370,000, and finally April, May, and June at 1.3-million.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
JULY 23, 1955

Industries turning out heavy equipment have been plodding while lines like automobiles and other consumer durables have been sprinting.

Thus you find output of machinery back only about two-thirds of the way from its 1954 low to its 1953 high. But you know it will keep on plodding upward as industry's expansion and modernization plans go forward.

That, plus a little inventory accumulation, is where the lift is coming from now that autos and housing have slacked up a little.

Business generally cannot, of course, be expected to feel at once the leveling off in the rate of housing starts.

There's still a big backlog of work to be done on houses begun two to five or six months ago. And a lot of furnishings to be bought before we take stock on the housing boom that got under way last summer.

And there's no sign of it ending yet, even if it has flattened out.

Demand for primary metals may not remain absolutely insatiable later in the summer. The dip in auto needs in August and September probably will take some of the scramble out of such buying.

Nevertheless, rising machinery output provides a deep cushion (particularly in the light of Europe's record metal needs).

The price cut posted by U. S. Steel this week on cold-rolled strip, incidentally, isn't any renewal of cutthroat competition.

Big Steel, in its across-the-board price boosts, had advanced cold strip of low carbon content \$14 a ton. Other producers refused to up their quotations more than \$10. Now U. S. Steel comes back to meet them.

The joker: Industry people feared users whose requirements for tolerances and finishes weren't too exacting would buy cold-rolled sheet in coils and either slit it themselves or hire the job done.

Mills whose facilities are dominantly geared to strip production could see a chance of losing customers to sheet producers.

Near-record crops of feed and fodder this year may just sound like bigger surpluses, but they mean more and cheaper meat, too.

Take that prospective 3½-billion bu. of corn. Most farmers who grow the crop market little if any of it; what they do is convert it into beef and pork right on their own farms.

Prices of hogs being what they are (they've recovered but little from early-year lows) you might figure hog farmers would cut output.

But, with a billowing golden sea of corn rolling over them, they'll either have to raise the pigs to eat it or dump it on the government. And it's a good bet they'd rather feed it than be beholden to Uncle Sam.

As things stand, they're planning 11% more pigs this fall than last (a number exceeded only in record-smashing 1951).

Cattle numbers no longer are rising, but production of beef still is running a little ahead even of last year's record levels. Here, just as in the case of hogs, indications of a near-record corn harvest carry the prospect of turning a fair profit on fat steers.

**WINNING THE
FIGHT AGAINST
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Sea . . . land . . . air—*Harrison coolers are busy everywhere!* You'll find lightweight, heavy-duty Harrison heat exchangers on submarines, tanks, planes—on all types of mobile fighting equipment. But that's not all! Harrison's versatility in the entire heat-transfer field is unsurpassed! Harrison cools far more motor cars, far more trains than anyone else. That's because Harrison heat exchangers are rugged and reliable . . . designed to save space, weight—money, too! And remember: our research and engineering departments are always on the job. We're constantly searching for and *finding* new ways to do the cooling job faster, more efficiently, more economically. If you have a cooling problem, look to Harrison for the answer!

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moth balls to the new Plaskon Nylon molding resins.

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That list of products is still growing—and growing *better*.

More than 100 Allied Chemical plants, mines, quarries and laboratories are strategically located to serve the needs of virtually all the nation's basic industries.



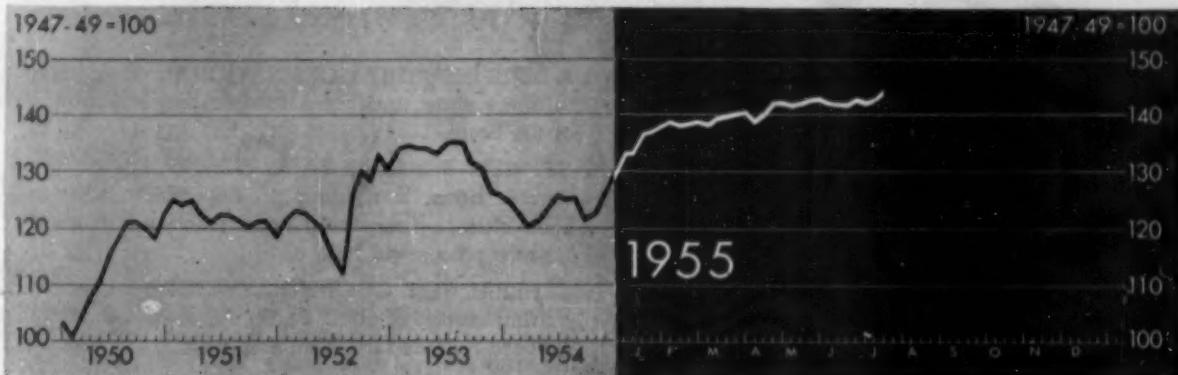
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FIGURES OF THE WEEK



Business Week Index (above)

	Latest Week	Preceding Week	Month Ago	Year Ago	1946 Average
	144.7	143.5	142.6	125.4	91.6

PRODUCTION

Steel ingot production (thousands of tons)	2,276	+2,202	2,292	1,557	1,281
Production of automobiles and trucks	206,708	+167,288	178,475	130,757	62,880
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)	\$76,395	\$78,628	\$62,714	\$57,075	\$17,083
Electric power output (millions of kilowatt-hours)	10,440	9,759	9,987	8,951	4,238
Crude oil and condensate production (daily av., thousands of bbls)	6,626	6,597	6,626	6,298	4,751
Bituminous coal production (daily average, thousands of tons)	1,468	+1,723	1,558	1,070	1,745
Paperboard production (tons)	225,674	155,704	285,547	199,338	167,269

TRADE

Carloadings: manufactures, misc., and l.c.l. (daily av., thousands of cars)	73	75	75	66	82
Carloadings: raw materials (daily av., thousands of cars)	58	50	56	48	53
Department store sales (change from same week of preceding year)	+13%	+5%	+3%	-16%	+30%
Business failures (Dun & Bradstreet, number)	224	204	214	226	22

PRICES

Spot commodities, daily index (Moody's Dec. 31, 1931 = 100)	403.8	405.3	410.9	431.4	311.9
Industrial raw materials, daily index (U. S. Dept. of Labor BLS, 1947-49 = 100)	95.8	94.9	92.7	86.3	1173.2
Foodstuffs, daily index (U. S. Dept. of Labor BLS, 1947-49 = 100)	84.2	85.5	88.0	99.3	1175.4
Print cloth (spot and nearby, yd.)	19.0¢	19.0¢	18.9¢	19.1¢	17.5¢
Finished steel, index (U. S. Dept. of Labor BLS, 1947-49 = 100)	153.9	144.9	144.8	144.6	1176.4
Scrap steel composite (Iron Age, ton)	\$40.33	\$38.50	\$35.33	\$26.83	\$20.27
Copper (electrolytic, Connecticut Valley, E&MJ, lb.)	36.000¢	36.000¢	36.000¢	30.000¢	14.045¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.)	\$2.18	\$2.14	\$2.29	\$2.32	\$1.97
Cotton, daily price (middling, ten designated markets, lb.)	33.65¢	33.96¢	34.10¢	34.46¢	30.56¢
Wool tops (Boston, lb.)	\$1.85	\$1.85	\$1.85	\$2.25	\$1.51

FINANCE

90 stocks, price index (Standard & Poor's)	335.6	338.3	319.7	238.4	135.7
Medium grade corporate bond yield (Baa issues, Moody's)	3.52%	3.51%	3.51%	3.50%	3.05%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate)	2-2½%	2-2½%	2%	1½%	1-1½%

BANKING (in billions of dollars)

Demand deposits adjusted, reporting member banks	56,113	55,336	57,726	53,652	1145,820
Total loans and investments, reporting member banks	84,013	84,095	85,009	80,437	1171,916
Commercial and agricultural loans, reporting member banks	23,465	23,326	23,355	21,647	119,299
U. S. gov't guaranteed obligations held, reporting member banks	31,663	31,797	32,842	33,549	1149,879
Total federal reserve credit outstanding	25,571	25,265	24,956	25,691	23,883

MONTHLY FIGURES OF THE WEEK

	Latest Month	Preceding Month	Year Ago	1946 Average
New orders for machinery, except electrical (McGraw-Hill, 1950 = 100)	June	123	116	N.A.
Bank debits (in millions)	June	\$177,908	\$167,710	\$163,501 11\$85,577
Exports (in millions)	May	\$1,308	\$1,263	\$1,401 11\$12

* Preliminary, week ended July 16, 1955.
† Revised.

** Estimates.
N. A. Not available.

§ Date for "Latest Week" on such series on request.

in BUSINESS this WEEK . . .

GENERAL BUSINESS:

CONGRESS: THE WILD RUSH TO QUIT. The customary chaos marks the closing days of a session—a time when all sorts of things can happen—but this year Capitol Hill is under better control than usual p. 25

WHY THERE'S FRESH HOPE. Russians' main interest is a deal with U.S. and that would suit Eisenhower p. 27

THE BOOM: INTO THE DANGEROUS PHASE. Upward push of wages and costs may be the beginning of inflationary troubles p. 28

A DIXIE INDUSTRY GOES NATIONAL. High Point furniture show underlines the growing importance of the South p. 29

OFFICES: BUILDING FAST, FILLING FAST. The current boom is rivaling pre-depression days in some cities, but most real estate men think demand for new offices will hold up p. 31

GENERAL TIRE GOES HOLLYWOOD . . . by acquiring assets of RKO Radio Pictures, Inc., from Howard Hughes for \$25-million cash p. 32

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BUSINESS ABROAD:

ITALY'S HOPES SOAR AS ECONOMY MAKES UPWARD LUNGE. With a boom in the North and hope in the South the picture is changing p. 124

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In Business Abroad p. 129

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ZIPPO: BUILT ON RESTLESS THUMBS: Four million customers crown Blaisdell as king of the lighter industry and keep his company on top p. 144

FINANCE:

BRIGHT REFLECTION OF THE BOOM. Business loans jumped to \$900-million for first half and another upswing is expected p. 60

SEC WARS ON URANIUM, OIL PROMOTIONS. Proposed clampdown on securities offerings would stop "promoters" from walking off with the kitty p. 66

IN FINANCE p. 68

GOVERNMENT:

IN WASHINGTON p. 54

LABOR:

UAW TAKES ON THE INDEPENDENTS. American Motors' negotiations break down as company rejects the auto-union's demand for Ford pattern p. 118

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MARKETING:

FINALLY—RICH'S REGIONALIZES WITH A NEW CHAIN OF STORES. Breaking out of Atlanta, it's cashing in on the strong pull it developed on the whole South p. 90

MAGAZINE MERGER. FTC charges that Farm Journal violated federal anti-merger laws when it purchased Better Farming p. 102

IN MARKETING p. 104

PRICE WAR BOGEY. January "white sale" leaves electrical equipment industry worried p. 110

THE MARKETS:

PRESSURES FROM ALL SIDES. Wall Street is keeping close tabs on "summit" meeting, earnings reports, merger rumors p. 130

Wall St. Talks p. 132

MANAGEMENT:

DEFERRED PAY: STILL NO LAW. Congress hasn't yet set up any rules to determine when schemes to postpone part of income will get tax approval p. 41

SPLITUP AT PIASECKI . . . and formation of new company follows founder's ouster as chairman p. 46

In Management p. 52

PRODUCTION:

POWDERED METALS GOING TO TOWN . . . as they remain strong in their old field and move into the lush market of atomic equipment p. 70

"HOT STUFF": BIG HURDLE FOR ATOM POWER. Nuclear plants present hazards, may prevent industry from reaping full benefits p. 72

NEW PRODUCTS p. 84

REGIONS:

IN REGIONS p. 138

THE INCOME PATTERN: Up 4.8% from May, 1954. p. 142

Picture Credits—Esther Bubley, Std. Oil Co., (N. J.)—126; Comet Photo—27 (lt., rt., top, rt. ct.); Giant Compton—29, 30, 144, 145, 147; The Detroit News—121; Herb Kratovil—46; Jay Leviton—cover, 90, 91, 92; McGraw Hill World News—128; U. P.—127; Dan Weiner—124, 125; W. W.—120, 27 (rt. bot.).

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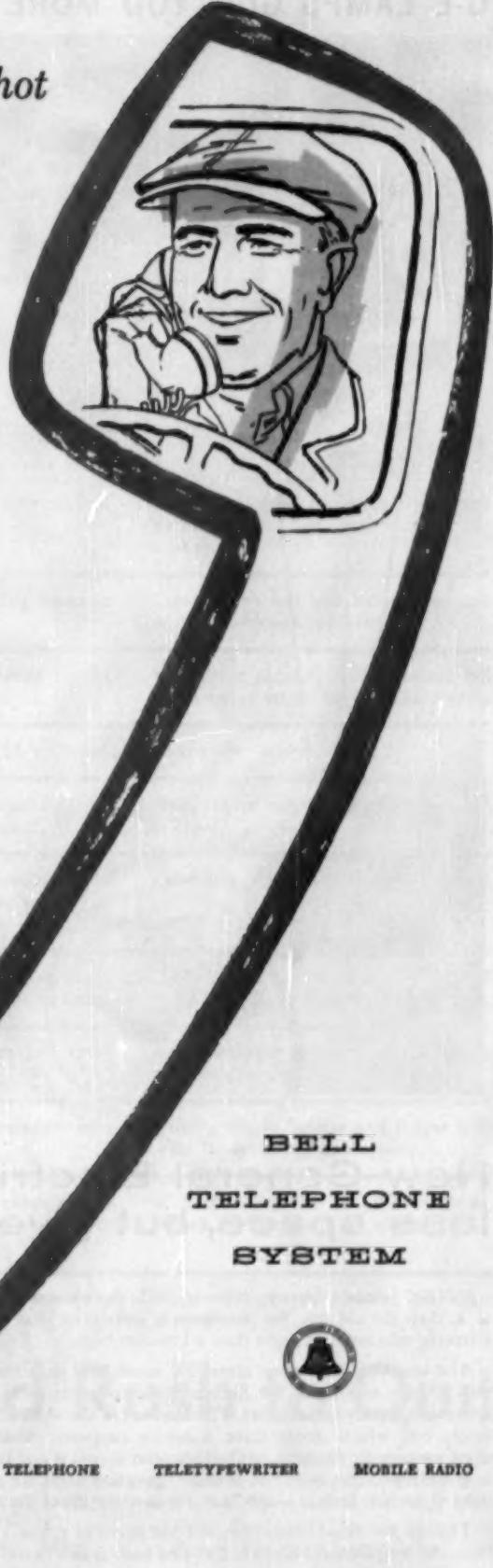
General Service: Your fleet can be reached from any telephone. Also, your drivers can call any telephone reached by the Bell System.

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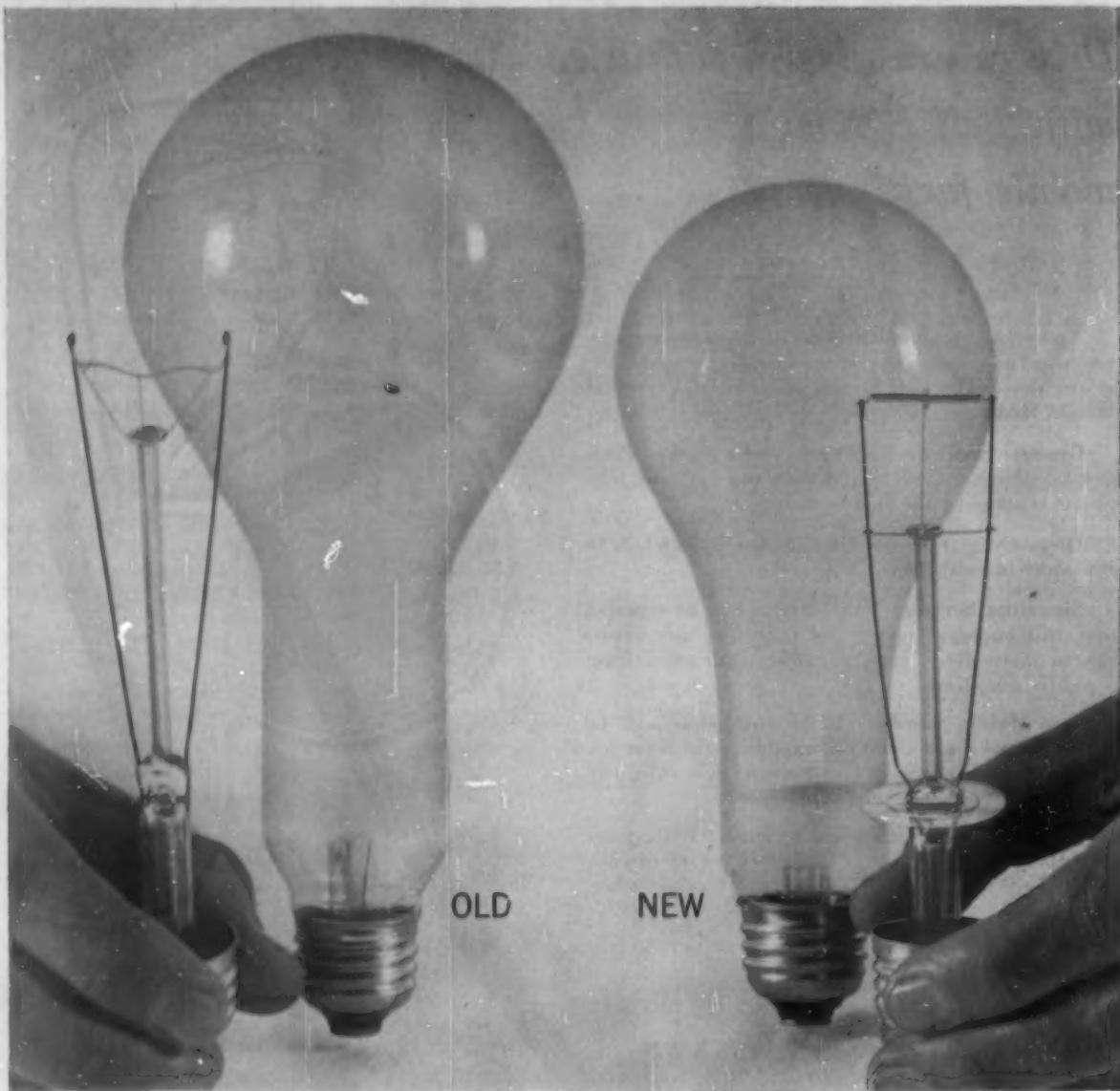
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G-E LAMPS GIVE YOU MORE FOR ALL YOUR LIGHTING DOLLARS



New General Electric 200-watt bulb takes less space, but gives more light.

A NEW General Electric 200-watt bulb, shorter and slimmer than the old one, fits into fixtures and lamps that would formerly take nothing larger than a 150-watt bulb.

The new G-E bulb gives about 3% more light than the old one. In the new bulb, the filament is an efficient coiled coil, which needs only one support. The filament of the old bulb is a single coil which needs three fine-wire supports. Although these support the filament firmly, they tend to cool it and slightly reduce the light. Based on average operating costs, the extra light of the new bulb is worth 7¢ to 10¢ over the life of the bulb.

Though the new design puts the hot filament closer to the base, the new General Electric 200-watt bulb is safe to use even

in paper-lined sockets. That's because of a heat-reflecting disc of aluminum between the base and the filament.

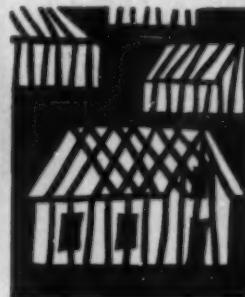
With all this extra value built in, the new bulbs list at a penny less than the old. For more facts on how General Electric gives you more for *all* your lighting dollars, write for a 16-page G-E progress report to lamp users. It's free, just write General Electric Company, Dept. 482-BW-7, Nela Park, Cleveland 12, Ohio.

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THE MEASURE

Building new highway system.

WHERE IT STANDS

Dispute is over methods of financing.

LIKELY OUTCOME

House has a bill to finance program through taxes. Senate is likely to accept this.

Extending the Housing Act.

Conflict over public housing features has stalled measure.

Compromise bill will be worked out in Senate-House conference.

Supporting farm prices.

Senate Agriculture Committee blocks House's 90% of parity bill.

Committee plans field hearings in fall to build up steam for high supports.

Fixing new minimum wage.

Senate has pushed it to \$1 an hour.

House will follow suit.

Aiding school construction.

Segregation issue has stopped action in Senate, slowed it in House.

Final House action this session is unlikely.

Ending controls on natural gas producers.

House Democrats want Eisenhower to share onus for bill's anti-consumer aspects.

Prospects of passage are fading fast.

Extending Defense Production Act.

Democrats are seeking to push \$1-a-year men out of policy-making jobs.

Odds favor passage with tightened ground rules covering \$1-a-year men.

Increasing social security.

Senate Finance Committee will insist on hearings.

Rush to adjourn may delay Senate consideration until next session.

Building a military reserve.

Clash is over bonus for veterans who volunteer for reserve.

Differences in Senate and House bills must be settled in conference.

Simplifying customs rules.

Senate is balking over changes in import value determination that favor foreign exporters.

If Senate knocks out the changes, House probably will go along.

Making appropriations.

Senate has only three more bills to act on.

Rush conferences should get them through.

Congress: The Wild Rush to Quit

For endless hordes of sports-shirted tourists plodding goggle-eyed through Congress' ornate corridors this week, the nation's legislature was an even more baffling spectacle than usual. Con-

gress, hell-bent on finishing its work and heading for home, was on its annual adjournment jag.

This year, there's plenty of legislation still hanging (chart). Many of

those big issues listed above are being debated by tense clock-watching legislators, and their mood has real effect on how they finally handle them.

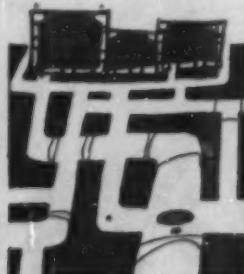
But it has been worse before, and



Water Projects



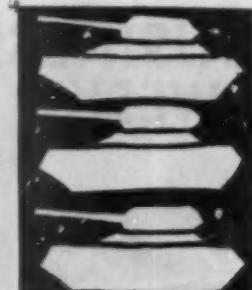
Schools



Natural Gas



Atomic Ship



Defense

this year the windup is only mildly chaotic. This is because the Senate has racked up one of its most orderly and productive sessions in history. Usually, it dallies with much talk and little action until the last few weeks, then plunges in frantically—and the product is confusion unlimited.

• **Camut of Impressions**—Just what is the close of a session like? It is many things, depending on the vantage point. It is:

- Reporters clustered in a corridor outside a conference room waiting for the door to open and bring them a terse comment that will tip the decision on a major measure.

- Jet-propelled page boys, darting through cloakrooms with trays of sandwiches for members who haven't been to bed in 36 hours.

- White House messengers racing to Capitol Hill with a last-minute nomination, a supplemental appropriation request.

- Lobbyists lying in wait for the one congressman who can unlock a dammed-up piece of special interest legislation.

- Rushed committee meetings, hastily considered legislation, congressmen coming to the chamber with packed bags and airplane reservations stuffed in their pockets.

- Tempers flaring in the cloakrooms, a eulogy on the floor, bottles and bending elbows; members serenading the press gallery from the floor and the press serenading them back.

"It's pretty damn wonderful," says a committee clerk who has witnessed a dozen windups, "and tiring as all hell."

Somehow, the Republic survives it. But it gives some members the shudders. "It's a wonder we don't legislate ourselves out of existence the last days of a session," says a Southern congressman.

• **Lobbyists' Delight**—This is the backdrop against which action on the important legislation of a session is completed. It is in this confusion that the lobbyist gets his golden chance to operate.

Many a lobbyist earns his annual stipend for the work he does in the

closing weeks of a session. He knows how to get to vulnerable congressmen when there isn't time to hold hearings or adequately study a proposal. And he knows how to pour pressure from the home district on a stubborn member.

"You can get almost any kind of special interest bill through in the close of a session, if you play it right," one lobbyist confides.

Many politicians believe that President Truman got the one tangible issue to capture the farm vote in 1948 because a lobbyist was too successful at the session's end. In the last hours of the 80th Congress, former Rep. Roger Slaughter, from Truman's own district in Missouri, helped lobby through a ban on federal construction of grain storage bins. Truman used this to convince farmers faced with bumper crops that they should vote for him, and they did.

Congress blames some of its end-of-session haphazardness on executive departments. In the closing hours there's always a flood of nominations and supplemental money requests. Some wouldn't stand up if Congress had adequate time to study them. The executive agency knows this, and gears requests to the adjournment outlook.

• **Tricks of the Trade**—Some members use the last hours to get through legislation that failed to clear earlier. Rep. Edith Nourse Rogers (R-Mass.) has single-handedly forced the House to enact a long list of veterans' bills in the closing hours of a Congress.

It's even worse at the end of a Congress, when all uncompleted legislation dies. This year, a bill that doesn't pass can be carried over until next session.

And it can be even more hectic when Congress is trying to quit so it can attend a political convention. In 1948, Congress was trying to wind up on the Saturday that preceded the Monday opening of the Republican convention in Philadelphia. The House had passed the Hope bill supporting farm prices at 90% of parity. The Senate had passed the Aiken bill with its sliding 60% to 90% scale. Conferences brought no compromise and finally, near midnight, Congress accepted a shotgun wedding

—provided for one year of the Hope bill to be followed by the Aiken bill.

• **Strain by Night**—As the normal Congress draws to an end, daily sessions get longer, run into the night. Older members, such as Sen. Walter George, who likes to go home around 5:30 p.m., get irritable. It is on these older men, with their seniority and background, that the brunt of the long sessions falls. They must work out differences between House and Senate versions of a bill. They carry a lot around in their heads that they can't pass on to younger members. So they have to be at committee meetings and participate in floor debates. At least a dozen senators, all high in seniority, are over 70.

When sessions begin running all night, members worry about the strain, the chance of a heart attack. They are well aware that nine senators died during the 83rd Congress. If any personal animosities exist, the end of a session will bring them out.

• **Current Disposition**—This session, tempers are better in the Senate. This is largely because the Democratic team of Majority Leader Lyndon Johnson and Whip Earle Clements kept legislation moving all session, cleared the calendar, avoided night sessions.

They developed a high spirit of unity among once bickering Southern conservatives and Northern liberals. Johnson also followed his practice of "touching base" with Minority Leader William Knowland on coming legislation.

All this helped relations, avoided floor fights, kept legislation moving—and for the first time in memory the Senate was far ahead of the House in the closing weeks. Ironically, less than a week before he was stricken with a heart attack, Johnson proudly announced that he had called no night sessions all year, that there hadn't been a single Senate death.

But the true reason for the hectic adjournment sessions is that Congress never completes all the work it begins. So it finally sets an arbitrary cut-off date and says that nothing can be handled after that. It's like a frantic mother who says that in five minutes the lid goes on the cookie jar—after that, no more cookies.



1 Pres. Eisenhower, the West's towering figure at Geneva, takes firm but friendly line with Russians.



2 Premier Bulganin (left) comes in conciliatory mood with Marshal Zhukov, a new power in U.S.-Soviet relations.



3 Foreign Minister Molotov and party boss Khrushchev, representing "tougher" line, complete "Soviet summit."



4 Back in U.S., Iowa farmer (left) gives Soviet visitors American knowhow on corn and hogs.

Why There's Fresh Hope

Geneva, by midweek, was turning more and more into a two-power parley—an exchange between the U.S. and the U.S.S.R. within the wider four-power conference (page 115).

According to inside sources, the Russians are indicating pretty clearly that their main interest is in a deal with

the U.S. and that would suit Pres. Eisenhower's book—providing Moscow proves ready to make the necessary concessions.

Despite the wide gulf that this week separated the U.S. and U.S.S.R. on German unification, it looks as though the conference can agree to pass this

problem on to the foreign ministers for detailed negotiation. Along with it would go European security, disarmament, and East-West contact—a subject that covers East-West trade and such exchanges as the current visits of Russian farm experts to the U.S. and Americans to Russia.

The Boom: Into the Dangerous Phase

● The fast pace and the upward push of wages and costs raise the question of whether things are building up to a letdown.

● But basic strength, some industry readjustments, and tighter credit may act to keep the boom healthy.

For the first six months of 1955, the life of the business forecaster was uncomplicated and happy. The upswing of the U.S. economy—out of the shallow trough of the 1954 recession—was so broad and so strong that even the most doleful imagination could find no fault. As far as anyone could see, the uptrend was healthy enough to last indefinitely.

Abruptly, there has been a subtle change in the picture. The very speed with which the boom is moving has become faintly ominous. While few economists can see an early end to the current prosperity, at least a responsible minority think they see the start of something that could lead to trouble.

The something that they see—or think they see—is the beginning of the sort of inflationary symptoms characteristic of a late state of a cyclical boom (BW—Jul. 9 '55, p25). The big wage settlements in autos and steel plainly have given an upward push to the whole price cost structure. And as that force makes itself felt, it may set off a wave of inventory building that will add still more impetus to the boom. On the top of everything else, capital spending is now turning up; it will be heading for new peaks just as any speculation touched off by the rise in price is coming to a head.

• Still Only a Whiff—What emerges here is the danger that the healthy boom of early 1955 could become an unhealthy superboom toward the end of 1955 or in 1956. And like all superbooms, this 1955-56 version would almost surely lead to a painful correction after it had run its course.

At present, this is only a danger—not a certainty. Inflation is in the air, but it is still only a whiff. And there are at least three things that may keep the boom healthy in spite of the upsetting effects of rising costs and prices:

• The basic trend of U.S. business—the trend that derives from such fundamental things as population growth and development of resources—is strongly upward. A country that is growing so fast and so broadly can stand a lot of excesses without doing itself any great damage.

• There are signs that some of the leaders of the boom are due to slow down. Both autos and construc-

tion—two of the hottest industries in the first half of 1955—seem to be heading for mild readjustments toward the end of the year. This may have a sobering effect—at a time when sobriety will do a lot of good.

• Credit is tightening. And if the Federal Reserve sticks to its present policy it will probably tighten somewhat more (page 152).

I. Worry Points

In the first half of 1955, the American economy has soared upward by about \$18-billion. This has taken place without any upward movement in prices. We have thus been climbing at a real annual rate of 10%. Such a rise at constant prices is phenomenal. If it's sustained through the rest of the year, it would set a postwar record. In 1951, the year after the outbreak of the Korean War, Gross National Product rose by \$43.2-billion. A dollar increase of 15% but consumer prices rose by 8%; so GNP, in constant prices, increased by less than 7%.

• Pressures—The danger now is that the boom will begin to take the form of rising prices rather than rising production and consumption.

Increasing labor and material costs, as we approach full employment, are outrunning possible increases in productivity. As they do, they will force inflationary pressures on the economy. To beat the price rises, companies will be tempted to step up inventory accumulation. At the same time, the big profits from the first phase of the boom will provide the means—and increasing labor costs and hot competition for shares of markets will provide the incentive—for heavier spending on plant and equipment.

This one-two punch of rising inventories and capital spending could drive the boom far beyond present levels. But inventory accumulation and a surge in capital spending usually turn out to be one-shot factors in sustaining a boom. They can be kept up only as long as the demand for the final products of industry keeps growing at an equivalent pace.

• Storm Cloud—That's the point at which the forecasters begin to worry—

that consumer spending, the element most important last year in triggering the upturn, will be the factor that may now trigger the downturn.

Worries about consumers take several forms:

- That if you try to raise prices to consumers enough to cover increasing costs in the period ahead, you can lose enough volume to get hurt badly.

- That the U.S. public, after long months of a buying spree, is very well supplied with goods, especially houses, cars, and other durables. Even if prices don't rise much, there might be some slackening in demand.

- That 1954-55's excessively rapid increase in consumer debt and mortgage borrowing (or, looked at the other way round, the marked reduction in the rate of saving) is likely to reverse itself.

These three factors, taken together, shape up to quite a nice-sized storm cloud. There's some evidence that it's not an imaginary one. Last week the American Collectors Assn., Inc., reported that 6-million U.S. families are delinquent in their installment payments.

II. Basic Strength

Although it's getting easier to find people who worry about the boom, it's still very hard to find any who foresee a serious bust, or even a sharp recession, in 1956. Many point out that 1956 is an election year, and they argue that the Administration will simply not permit a major recession to get under way in an election year. They point specifically to the strong probability of a tax reduction in 1956, which would help offset any deflationary tendency.

• Growth Factors—Even the possible sag in housing construction might be more than offset by continued growth in public and industrial construction.

• Fundamental—The most fundamental point, for most businessmen and economists, is the long-term upward tendency of the U.S. economy—probably strong enough to keep divergences from the rising trend moderate and short-lived. There are powerful underlying factors pushing upward: the growing U.S. population, the nation's increasing productivity and efficiency, the broad spread and the institutionalization of saving and investment, the commitment of U.S. industry to a doctrine—which gets to look almost like a religion—of research, development, and expansion. There is also that mysterious but powerful element called confidence, which almost certainly will increase further if the outlook for international peace continues to improve.



BUSTLING MARKET: Furniture retailers, crowding to High Point, are evidence that Southern furniture is on the march.

A Dixie Industry Goes National

In the little city of High Point, N. C., this week and last, the signs were plain to read: The South, which has lured from the North so much of the textile business, is fast coming up as a dominant factor in the furniture business.

Southern development as a vital furniture nerve center has been long in the coming. Even before World War II, North Carolina was important to the trade. But it is in the last few years especially that the South has earned a status in the national furniture picture that has made even Chicago, granddaddy of the furniture markets in the U.S., take somewhat nervous note of the doings there.

• **Upgrade**—Partly, the growth of the Southern Furniture & Rug Market (its official name) stems naturally from the whole upgrading of the Southern economy of the postwar years. This showed up plainly at the current show. For this July exhibition, like its companion January showing at High Point, sells mainly to the local markets—retailers from the region from Maryland to Florida.

And the 6,000-odd buyers who jammed the city were buying briskly. Many of the 400-odd manufacturers who exhibited reported this the best market yet; they talked hopefully of a 1955 as good as, maybe better than, 1953, furniture's banner year.

• **Challenge**—If this show, the "official"

High Point market, has grown with the South, it's the "little" or "unofficial" or "preview" markets, held in April and October, that have made the rest of the furniture world sit up and take notice. These attract not the regional buyer, but the big chains and department stores the nation over. Numerically, they run smaller—average attendance is about 2,000—but in dollars they are as important as the bigger official showings. And these unofficial shows are the markets that are the basis for the South's rise in the national furniture world.

Market officials politely disclaim any real North-South competition in the furniture trade. It's true that the Southern manufacturers need the great Chicago markets just as Chicago needs the Southern manufacturers. But last week big exhibitors, both from the South and beyond, made no bones of the fact that the competition exists. It flared up in May, when the American Furniture Mart in Chicago put on an "unofficial" market of its own. Some of the biggest southern concerns boycotted that market (BW—May 14 '55, p116).

• **Southern People**—How did little High Point reach the point where it can thumb its nose—ever so politely—at the biggest furniture markets in the world?

"It's as simple as ABC," says L. P.

Best, board chairman of Craftique, Inc., a small concern located in Mebane, N. C., specializing in quality lines. In no other furniture area can the retailer rub elbows with furniture makers as he can in the High Point area.

In 1953, North Carolina was second only to New York in the wholesale value of wood upholstered furniture it produced. It led the country in wood household furniture excluding upholstered. Virginia and North Carolina together accounted for nearly a third of all non-upholstered wood household furniture, and half the wood bedroom furniture.

Furniture making historically follows "The vanishing forests." The great stands of North Carolina hardwoods made the area a cabinet-making center even in colonial times.

In the late 1900s and the early 20th Century, the South made furniture for its own people. It had a rural market, mostly a poor one. The product matched its customers: In the main, it was cheap, unstyled.

During the 1920s—and into the Depression—the South began to look for broader fields. That meant it had to upgrade in quality and design. Because it was a relatively new furniture center, it wasn't saddled, like the older regions—Grand Rapids, New York, New England—with old plant. All during the De-



MODERN Heritage specializes in craftsmanlike quality, mass-production techniques.

pression, Southern producers mechanized like mad, calling in designers to dress up their product. Gradually retailers from beyond the area discovered that in the South they could find what their Depression-ridden customers wanted: style at a price. Grand Rapids' custom lines came too high.

• **Postwar Spur**—When World War II controls ended, the South was ready—with efficient plant, trained labor, aggressive young management. And the market, itself upgraded and eager for goods, was waiting.

Today Southern manufacturers—from popular-priced concerns such as Bassett Industries through Drexel Furniture Co. in the medium ranges up to the quality producers—take an immense pride in their product. "We're medium-high in price," says Melvin Binney, vice-president of Heritage Furniture Co., which started in 1946, "but we're tops in style." His company has just signed Frank Lloyd Wright to design a group

for it. Even bedding concerns such as Mcbane Co. are featuring their designers.

• **Growing Pains**—Problems have come with growth. For the new customers, the big furniture and department stores, came to the High Point area to get promotion items for their big sales, in February and August. But the traditional furniture show dates of January and June fall too close to get delivery in time for the sales. As the retailers kept pouring in in the spring and fall, the Southern manufacturers, at once harassed and delighted by the influx, accepted April and October as routine and vital show dates.

But they couldn't give up the January or summer show (held in July because in a farm market you don't know till then how much money your customers will get from their crops). The small retailer, for his part, can't make the spring and fall shows because he has to be on the job at home, selling.



TRADITIONAL

Fine Victorian, like Pelham, Shell & Leckie's, sells well.



AND EVEN

for local retailers, Atlanta Stove Works finds market for old-time stoves.

• **Merry-Go-Round**—The net result of the diversified market is that the manufacturers—and the buyers—are kept on a whirligig, between Chicago, Grand Rapids (if they cater to the carriage trade), and High Point. That's why when the Furniture Mart in Chicago put on an unofficial show in May, some Southern manufacturers exploded. "It's a physical impossibility," says an official of big Tomlinson of High Point, "for us to cover all the shows." "Why," asks the president of another big concern bluntly, "should we go to Chicago to build up our competitors' business?"

"There isn't any answer," says Tom A. Finch, president of Thomasville Chair Co. But High Point doesn't worry. Its ace card is that broad cluster of factories, with which the retailer can deal direct. "Besides," says Henry A. Foscue, president of Globe Parlor Furniture Co., "we may not have the night clubs, but they like to come here. We're nice to them."

Offices: Building Fast, Filling Fast

● New office buildings are springing up all over the country—making some in the business nervous as they recall empty offices of Depression years.

● But today's new offices don't stay empty long, and it's still easy to fill old buildings.

● Today, too, the lure of the suburbs is fading, and the office trend is back downtown.

The real estate operators and financiers who work with office buildings are a cautious breed. This is quite understandable. The commodity they deal in, unlike orange juice or automobiles, neither gets consumed nor quickly becomes obsolete. Once produced, office space is on the market for decades—possibly a century. In times of scanty demand, there's no way to cut back the supply.

For that reason, the office building industry does not indulge lightly in booms. The last boom it had, 25 years ago, ended in deep trouble amid the Depression. After that the industry preferred to build slowly, if at all, waiting until a firm and permanent demand already existed before producing the supply.

I. Is It a Boom?

Now, huge quantities of office space are springing up in and around almost every major city in the country. Some men in the business hesitate to call it a boom, for the word makes them uncomfortable. But others say there is no other word for it. In some cities, the rate of building even rivals that of the pre-Depression boom—which was fabulous.

Some sample cities:

New York has gained some 17.5-million sq. ft. of new office space since the end of World War II, and the bulk of it since 1950, according to the Real Estate Board of New York. This includes all structures built or for which plans had been filed by the end of 1954, but excludes several very big buildings that so far are just ideas or intentions. The Real Estate Board's president, Clinton W. Blume, says that this 17.5-million sq. ft. increase is more office space than exists in any other city of the world except Chicago. It brings New York's total to approximately 117-million.

Pittsburgh has been going through a big redevelopment campaign (BW-Apr. 2 '55, p. 90). When all its new buildings are finished, the city will have

increased its office space by almost 50%—from roughly 5-million sq. ft. to 7.4-million. Nine big new buildings account for the increase. This is an even bigger boom than Pittsburgh's pre-Depression one, when nine new buildings and one addition gave the city a 1.9-million-sq. ft. increase.

Denver is another city with a big percentage jump. On completion of the 14-story Petroleum Club, last of several big buildings to go up in the past few years, Denver's office space supply will be about half again as big as it was in 1953.

San Francisco is one of many cities whose office space increase in the past few years has been relatively small in terms of square feet but large in terms of historical context. Four projects now being completed or planned will add some 850,000 sq. ft. to the city's 12.7-million. But the context is that these projects end a period of 20 years when no major office buildings at all went up in San Francisco.

Among other cities with the same kind of situation are:

St. Louis, which is about to get its first new downtown building in 20 years; and . . .

Phoenix, whose \$5-million First National Bank of Arizona building is the first of any important size put up since 1932; and . . .

Atlanta, whose 25-story Fulton National Bank Building is the first downtown skyscraper built in the city since 1930; and . . .

Chicago, which now has four new buildings finished or in the works ranging from 10 to 41 stories, and which before that had seen no important office construction since the Depression.

II. Bad Memories

Many observers of this current boom find a source of acute nervousness there. They reluctantly recall the fabulous days before the Depression, when so much new office space went up that a few years later big buildings were as much as one-third unoccupied;

many went into receivership, and many real estate men went broke.

In New York, during the period 1925 to 1933, office space grew at an average rate of 3-million sq. ft. a year. By 1934, according to the Real Estate Board, some 25% of the city's above-ground-level space stood silent and empty. No typewriters clacked nor telephones rang in much of it until World War II began, and it wasn't until 1943 that the vacancy rate dropped below 10%. This is the maximum vacancy, many real estate men figure, at which a downtown office building can hope to turn a profit. Others name smaller maximums ranging to 5%, which was the level New York hit in 1944. (It has stayed well below ever since.)

Many men in the office building business wonder now whether this new boom might end in the same kind of trouble that closed the last one. At least one investment company has nervously sold most of its New York office buildings. In several cities, big building plans have been announced in newspapers and, later, canceled. Observers guess that these changes of mind may have been brought about by mounting uneasiness over the boom.

III. Few Vacancy Signs

But right now there are at least enough optimists to balance out those of furrowed brow, if not to outvote them soundly. Real estate men in most cities point out that, despite the great amount of building going on, it's still easy to fill office space—even in old buildings without such comforts as air conditioning. The Building Owners and Managers of Atlanta, for instance, have just surveyed 34 buildings with a total net rentable space of 2.8-million sq. ft. and found a 1.5% vacancy rate as of May 1. What impressed Atlanta observers even more was the fact that 18 of the buildings were 100% occupied.

In 72-million sq. ft. surveyed by the New York Real Estate Board, the average vacancy last year was 1.8%—up from 1947's fantastic 0.2%, but still entirely comfortable. By contrast, New York vacancies during the pre-Depression boom ranged up and down between 3% and 8%.

This indicates to many thinkers that there is a much more insistent demand for space than there was then. (The 45-story Socony Mobil Building in New York, now under construction, was sold out before ground was broken for the foundation.) Optimistic real estate men argue, too, that the trouble in the 1930s was a result not only of overbuilding

but also of general economic hard times. No such hard times are envisioned by most economists today.

• **Trend**—There was a time, a few years ago, when owners and managers of big downtown office buildings grew fairly seriously worried about competition from the suburbs. Suburban office buildings offered many kinds of advantages—among them easier parking and generally cheaper land costs and rents.

IV. Anti-Suburban

But in most cities today, this worry has faded.

It has faded largely because many big companies have found that life in the suburbs is not quite what they expected. They have had a particularly large amount of trouble with employees, especially women, who like to be close to downtown shops. A report from one Southern city says that office efficiency has been known to drop 10% to 15% after a move to the suburbs, largely because of the high turnover in dissatisfied personnel.

This has slowed the trend to the suburbs. A big developer-builder in Atlanta, who has built more than a million square feet of office space in the suburbs, says now that all his future projects will be in the downtown area. In Pittsburgh, some suburban office buildings are reportedly having trouble finding tenants. In Tulsa, big downtown oil companies worried about crowded conditions have moved not to the suburbs, but to locations a few blocks from the central downtown district. Reportedly, this helps solve parking and other problems without divorcing employees from their beloved shops.

• **Doctors**—The move to the suburbs now, according to real estate men in most cities, is largely in the form of small, one-company or professional buildings. Kansas City notes a particularly strong urge on the part of doctors to flee the downtown area, group together in small buildings near suburban shopping centers. Many of these small new suburban office buildings throughout the country are owned by the tenants, rather than built on a speculative basis by real estate developers.

The developers are busy downtown. In New York, for instance, apparently not worried at all by the boom, Pres. William Zeckendorf of the giant real estate company Webb & Knapp, Inc., is planning a "permanent world's fair" atop the proposed Pennsylvania RR terminal (BW-Jun.11'55,p151). The building will have 7-million sq. ft. of floor space. According to Zeckendorf, it will be the biggest building in the world.

"That building," a New York real estate man said a few weeks ago, "will be a boom all by itself."

General Tire Goes Hollywood

Akron company buys RKO Radio Pictures, Inc., from Howard Hughes for \$25-million cash. The deal opens up RKO's stock of movies for television use.

Howard R. Hughes got out of the motion picture business this week. He sold all the assets of RKO Radio Pictures, Inc. for \$25-million cash to General Tire & Rubber Co.

The deal ended a weird chapter in Hughes' career and may give the RKO studios a new lease on life.

Next week, when the \$25-million check changes hands, General Tire will add a major motion picture producing and distributing company to its holdings in the entertainment field—that now consist of several broadcasting systems, radio and TV stations in five cities. The new acquisition gives the Akron company studio and production facilities in Hollywood and Culver City, Calif.; studios in New York City; part ownership of producing facilities in Mexico City; 101 domestic and foreign motion picture exchanges; the facilities of RKO-Pathe, Inc., and RKO Television, Inc.

• **1954 Deal**—Hughes had held full control of this spread of motion picture business for a little over a year (BW-Feb.13'54,p33). He had paid \$23,489,478 for the same RKO assets in March, 1954, to stockholders of RKO Pictures Corp., former RKO Radio parent company and now a corporate shell.

After buying all of the physical assets of Radio Pictures, Hughes also tried to buy control of the outstanding stock by offering \$6 a share. But he was thwarted by financier Floyd B. Odlum, who bought as much as he could in the open market for his Atlas Corp.

Today Odlum owns about 1,250,000 shares and Hughes approximately 1,260,000 shares of Radio Pictures. The public owns about 450,000 shares. Thus Hughes and Odlum have an equal hold on the corporate shell, whose principal attractions are about \$18-million in cash plus a tax loss carryback credit of about \$30-million.

Hughes's deal with General Tire was negotiated with Thomas F. O'Neil, vice-president and director of General Tire and president of General Tele-radio, Inc., the subsidiary of General that will undoubtedly operate the Hughes motion picture empire.

• **Why Buy**—Chief attraction in the deal for O'Neil is RKO's huge library of movies; O'Neil can run these on his own four TV stations and then syndicate them out to others. It is the first important block of fairly recent Hollywood movies to be made available to TV.

O'Neil's plans for RKO seem to be these:

- About 700 old RKO films will be syndicated for telecasting in the U.S. and sold outright abroad.

- The RKO Hollywood lot probably will be rented out to independent producers. There's a shortage of lots for independents to make their theater movies now that TV has taken over so much stage space.

- The RKO-Pathe lot in Culver City probably will be continued as a rental lot for television pictures.

- General Tire probably will not set up its own production program.

- The RKO theatrical film distribution system probably will be kept intact—to sell new pictures and reissues to theaters and to license the 700 films being released to telecasters.

Some in Hollywood see General Tire's move as a major break to open the floodgates on the 3,000 or so films that the industry thus far has withheld from TV use. But the chances of this happening are not great.

• **Why Sell**—Whatever General Tire does with RKO, it is bound to breathe new life into the almost moribund organization. RKO was the picture of health when Hughes bought Odlum's interests in RKO Pictures Corp. in 1948. It hasn't fared well at all under Hughes. He was harassed by stockholder suits charging him with mismanagement and entering recklessly into contracts for actors and films never used or produced.

The company reported a net loss of \$3.7-million for the first nine months of 1953 and a loss of \$20-million for the years 1949 to 1953.

In spite of the losses suffered by RKO pictures from 1949 to 1953, Hughes personally will come out way ahead. He has a paper profit of about \$6.5-million. And he still has a hefty interest in the old RKO Pictures Corporation.

• **New Outlet**?—Just what Hughes will do with his newly acquired cash is the subject of a lot of speculation. One report had it that Odlum's recent and expanding ventures into uranium would be an outlet for Hughes's funds. James R. Grainger, president of RKO Pictures, said a month ago that Hughes and Odlum were discussing possible plans for the future of RKO Pictures. Earlier, Odlum hinted that he and Hughes would get together to merge it with some of their other holdings.



The Face Lifting of Mother Earth

Hidden thousands of feet beneath the earth's surface are the thick beds of ancient seas, prime source of crude oil. Here and there, gigantic buckles and warps have thrust parts of these seabeds up through the crust, thus providing clues to eager scientists searching for oil-bearing formations.

In this picture, a Sinclair geologist stands before an outcropping of sedimentary rock that once was the bed of a sea, but which has been slowly forced to the surface to change the face of Mother Earth.

In its hunt for oil, Sinclair has some 9,000,000 acres under lease in the United States alone. These acres are methodically worked over by crews of geologists, paleontologists and geophysicists. From their findings will come the oil fields of tomorrow, the fuel for automobiles not yet made, the energy for engines not yet designed.

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BUSINESS BRIEFS

An atomic power first was scored this week when nuclear-produced electricity flowed into the commercial lines of Niagara Mohawk Power Corp. The power was generated at the West Milton (N. Y.) reactor run for the AEC by General Electric. First commercial user was a Ballston Spa housewife, who brewed a hamburger.

The flourishing weed: Cigarette smoking and production in May both rose to 8% above the year-ago month, according to Internal Revenue Service figures. During the month, manufacturers shipped 34.5-billion cigarettes, a rise of 2.6-billion.

Economic indicators from the Commerce Dept.: First-quarter corporate profits hit a seasonally adjusted annual rate of \$40.9-billion, up \$6.4-billion over the 1954 period. This was a big boost shoving the economy as a whole to "new high ground." . . . Personal income in May set a record at an annual rate of \$301.1-billion, a gain of \$2.2-billion over April and \$14.4-billion over May, 1954.

Private financing will be used to build Texas Butadiene & Chemical Corp.'s \$26-billion aviation gasoline and butadiene plant at Houston. The plant is scheduled for completion late next year, with an annual capacity of 2.5-million bbl. of aviation gasoline and 17,000 tons of butadiene.

Oilmen bet almost \$107-million on offshore leases near Louisiana. But the bets were all placed on Uncle Sam. The state of Louisiana found no bidders at all for 29 tracts where it overlapped the federal claims. The U.S. claims title to the tidelands outside the 3-mile limit, while Louisiana says its title extends 3 leagues, or 10½ miles.

UAW-CIO was indicted this week by a federal grand jury in Michigan on charges of violating the Corrupt Practices Act by spending money to support Democratic political candidates. The union does not deny it spent \$5,985 on broadcasts on which Pat McNamara appeared in his successful campaign for the U.S. Senate. UAW says it had a perfect right to do this; the Justice Dept. says no.

Tightening credit was reflected in the New York market when commercial paper dealers boosted their rates to 2½%. This was the fifth rise in the commercial paper rate since the beginning of the year, when the rate was 1½%.



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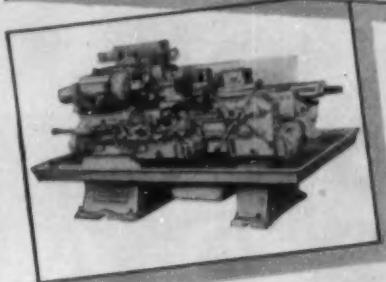
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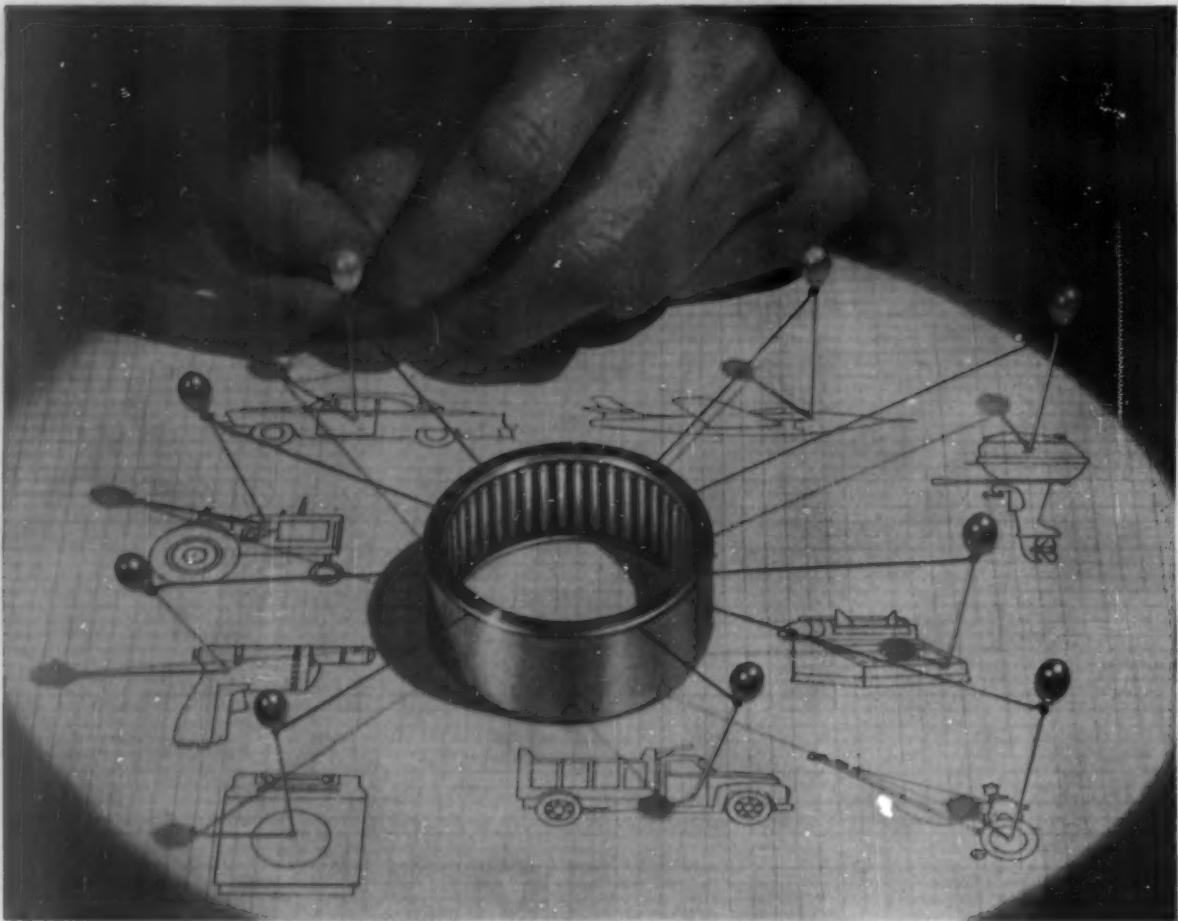
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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
JULY 23, 1955



A BUSINESS WEEK

SERVICE

Note the sniping at businessmen in government.

Air Force Secy. Harold Talbott is being asked by congressmen to explain anew his partnership in an engineering firm.

The Business Advisory Committee, a New Deal creation that works with the Secretary of Commerce, is being looked into by Congress.

Dollar-a-year men, men loaned to government by business primarily to help plan for the next mobilization, face legislative restrictions.

Former businessmen, now full-time government men, are being called on more and more by Congressional committees to explain actions and decisions, especially where these influence old employers or old industries.

It's part of the Democratic strategy for 1956. Democratic leaders have worried for months over the lack of natural political issues on which they might capitalize in 1956. Recovery from the 1953-54 recession has killed the "depression" chant. On top of this, Pres. Eisenhower currently has the advantage of being a peace President. So, the Democrats are turning on Administration business policies and the men responsible for them, with the idea of discrediting the GOP with the voters.

The hunt is for scandal, of course. The Democrats are well aware of what the "mink coat" disclosures during the Truman Administration did to them. But they figure they can make hay, even without scandal.

Here's the tactic, to be used more and more: Parade ex-businessmen who make decisions before Congressional committees. Establish their backgrounds—former company and industry connections. Then show how they might use their government posts to benefit old associations. The theory is that voters can be made suspicious without proof of wrong-doing.

The Democrats keep "score cards." They cover the key businessmen Eisenhower has brought to Washington, whether as government employees or advisers. Actions are listed, from the sale of surplus dry skim milk to the letting of multimillion-dollar defense contracts. In writing this record, the party gets help from the "inside"—from the holdovers who work with the GOP policy and decision makers.

The big investigations will come next year, as the political season warms up. What's happening now is the stage-setting.

Congress is hitting some snags, so probably won't adjourn as planned on July 30 (page 25). But it should be cleaned up by mid-August. The record will show that Eisenhower got most of his major requests, despite the fact that he lost on school aid, for example, and had to compromise on highways.

Objections of user groups have put a crimp in the new highway legislation that Democrats are trying to put through Congress. The higher taxes on gasoline, diesel fuel, and tires designed to pay for the highway program are running into tough opposition. Democrats had counted on the desire of voters for more roads to get the higher taxes approved. But they've run into trouble, and the whole issue may be delayed until next year.

Federal aid to airports will be stepped up. It looks as though the final plan will run about \$65-billion yearly—well above Eisenhower's request.

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
JULY 23, 1955

Synthetic rubber used in girdles won't have to be labeled as such. The bill requiring identification doesn't have a chance.

Broadening of the wool labeling act is out for this session.

Remember the 1948 Texas City disaster? A ship exploded and just about cleaned out this chemical-making town. Congress is close to voting a bill that would allow the U. S. to pay claims.

Chemicals used in foods and cosmetics: Congress probably won't get around to requiring pre-testing this year. It may vote this in 1956.

So-called auto bootlegging won't be banned. Feeling in Congress is that this would cut competition and help hold retail prices up.

Phantom freight on autos: Congress has looked into the practice of charging freight from Detroit, while the car may have been assembled at a local plant. But odds are there will be no action this year.

Customs simplification may get through, but not without a watering-down of provisions determining value of imports for duty purposes.

—•—

Chance for new sugar quota legislation is dim. The conflict is over how increases in sugar consumption should be split between the domestic and offshore producers. It may bar any action until next year.

Selling farm land with unharvested crops? Keep an eye on the relief bill reported by the House Ways & Means Committee. It has a good chance to pass and might cut taxes involved in the transaction.

—•—

Five-year amortization of defense facilities won't be repealed (BW—Jul. 16 '55, p27). But use of this "inducement" will be sharply curtailed.

The future yardstick will tend to limit use of the rapid tax write-off to facilities producing armaments, with a real downhold on such defense-supporting facilities as steel mills, pipelines, etc.

—•—

For clues on future defense shifts, keep an eye out for "leaked dope" on the recent session of top Pentagon brass—both civilian and military. This was the annual review of policy. Hair was let down.

The next big move may put the Army in the air. Policy is to cut down on the number of men in uniform. This is being done without any cutting of U. S. commitments abroad. Plan is to make the Army more mobile—build an air transport system that can move divisions—set them down anywhere in the world on short notice.

—•—

Adlai Stevenson is going to have to decide soon whether to run—or Democratic leaders will start to make other plans. A lot of them, mostly men in Congress, are not too keen on the 1952 candidate. At best, they feel he falls short of being "one of the partymen." Add to that the jockeying for position among the big delegations for the '56 convention, and you get a fish-or-cut-bait climate. Stevenson is still the acknowledged man to beat, but Washington figures if he doesn't move soon, he may lose out.

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Solving a chemical Mystery of Storage Batteries



Curiosity is a powerful motivating force in chemical research and it is Merck policy to give its research staff a wide latitude. Recently a team of Merck scientists became interested in certain chemical features of lightweight, high-power, silver-zinc batteries—used in guided missiles, jet aircraft, motion picture and television cameras, walkie-talkie transmitters, hearing aids, miners' head lamps, and other devices.

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trolysis on positive battery plates of this type. Merck scientists identified the substance as a type of silver oxide never before produced on a commercial scale. Manufacturing methods were then developed in the Merck Laboratories. The physical and chemical properties of this new compound make it possible to fabricate positive plates directly, with predetermined capacity. Many manufacturing steps are thus being saved.

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MANAGEMENT

Deferred Pay: Still No Law

● Congress has yet to grasp the nettle of plans that spread out executive earnings.

● But a study is being made now, from which may come legislation on the tax aspects.

● Hitherto, each case has been settled by the Treasury, as an administrative ruling.

There was a time when executive compensation was a straightforward matter of salaries and bonuses.

But that, like a lot of other things, has been changed by ever steeper tax rates.

Today, among higher paid executives, it's almost axiomatic that it's better taxwise to take some of your pay later (BW—Apr. 7 '51, p45). High personal income taxes put a premium on schemes that (1) provide some means of obtaining capital gains treatment for benefits or (2) defer regular income into later years.

This whole trend, developing since World War II, has come to be known as the deferred compensation system. It includes deferred pay contracts, deferred profit-sharing bonuses, stock option plans, pensions—anything that sets aside benefits or cash earned in one year to be paid out at some future time.

Wide as this trend is—and, obviously, it isn't confined to executives—there are still unanswered questions about:

- The equity between various groups that participate.

- The tax status of particular plans.

- The effect of deferment plans on the economy, on investments, on personnel practices. As for the tax aspects, enough demand may now be building up so that Congress will get around to spelling out in the Internal Revenue Code just what its attitude is toward deferred pay.

- **Congress Study**—This summer and fall four experts will study the broad questions that deferred compensation raises. This group is part of a larger panel of experts scheduled to report to Congress in the next five and a half months on the over-all economic effects of taxes generally—probably the most thorough scrutiny ever made of our tax system (BW—Jun. 25 '55, p30).

The deferred pay group is made up of Herman C. Biegel, Washington attorney; Eleanor Daniel, economic research director, Mutual Life Insurance

Co. of New York; Leonard Lesser, research director, United Auto Workers; and Challis Hall, economics professor, Yale University.

Each member is due to turn in a paper by Oct. 1. Then each will have a chance to comment on the other papers and to form a joint committee report by Nov. 15. Congress is scheduling public hearings in December for the tax study as a whole.

- **Pensions**—Actually, the deferred pay group is going to come down hard on the subject of pensions—all kinds and including all groups of employees. That's because, of all types of deferred pay, pensions are by far the most significant. Funds to support them are growing at a rapid rate; the plans are changing character; and they will obviously have an ever spreading influence on the economy (BW—Jun. 18 '55, p140).

Just as important for the business executive is the narrower field of executive compensation—and the mounting popularity of spreading that compensation into years when the tax burden may be considerably less. Deferred executive pay is the field that Yale's Prof. Hall has carved out for himself in the tax study. He's the author of one of the definitive books on the subject, *Effects of Taxation: Executive Compensation and Retirement Plans* (Harvard University, \$4.25).

I. Present Status

The best you can say about the legal status of deferred pay systems is that their use has reached such proportions that it would probably take an act of Congress to reverse the trend. Up to 1947, according to Hall's research, only about 30 out of 181 large non-financial corporations employed either straight deferred pay—in which part of a man's salary is withheld for later payment—or deferred bonus and profit-sharing systems. Since then, though, a host of other companies have joined the ranks. General Electric Co.'s in-

centive pay system added deferred aspects in 1948. Others with more or less recent additions of deferred pay for executives include Kroger, Chrysler, General Foods, Standard Oil (N. J.), Monsanto, RCA, Philco.

According to V. Henry Rothschild, vice-chairman of the Salary Stabilization Board during the Korean War and now a legal consultant, some 900 companies listed on the New York Stock Exchange have some form of pay deferral for executives either as individuals or as a group.

If so, what's all the shouting about?

- **No Law**—Just this: The Internal Revenue Service, in all these years, has yet to issue any formal rulings that will guide companies in setting up such plans. Each case has been handled separately. At one time, Treasury officials issued vague warnings that discouraged many companies from adopting deferred pay plans for fear of the tax consequences.

It is these consequences—or the avoidance of them—that lie at the heart of the present drive to get something written in the code.

For years, Congress has recognized what have come to be called qualified plans—ones that include sufficiently large groups of employees and that limit benefits by strict formulas. These plans are rated as proper business practice, deductible as a business expense. Benefits do not count as income for employees until the payout begins.

Pensions are the most obvious example of qualified plans, others are employee stock purchase and savings systems such as those just adopted by General Motors and du Pont (BW—Jul. 16 '55, p30).

It's in the deferred pay plan just for executives that you find the non-qualified category—there's no law that either outlaws or permits them.

- **Last Year**—The closest Congress ever came to setting up ground rules for these plans was in 1954. Then, it considered taking the whole question out of case-by-case decisions by the Treasury, just as in 1950 it set rules for special tax treatment of stock options.

The House passed a bill that in effect O.K.'d deferred pay for executives, and eliminated the uncertainties such as are shown in the following example.

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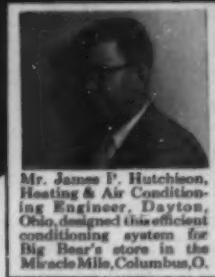
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Mr. James F. Hutchison, Heating & Air Conditioning Engineer, Dayton, Ohio, designed this efficient conditioning system for Big Bear's store in the Miracle Mile, Columbus, O.



Twin Janitrol Unit Heaters (arrows), and cooling unit at their left, combine to offer year 'round air conditioning for the Big Bear. The same ducts that cool the store in summer are used for winter conditioning.

he will draw \$25,000 a year for life.

Now, the question is: Will the Treasury consider the deferred \$25,000 a year as income already earned—and by actuarial estimates figure out the whole amount he will probably receive and then tax it all as regular income in the one year, when the payments begin?

If the Treasury does not do this, the \$25,000 is pushed into tax years when the executive will be in a lower bracket. But if Treasury decides it is lump-sum regular income, the executive is in trouble. In addition, the company might lose its tax deduction entirely.

• **Provisions**—The House bill in 1954 would tax the individual only in the years when he actually receives payments, and allow the company a tax deduction when payments are made.

But the Senate Finance Committee held that the language was too difficult, and the upshot was that the old law was left substantially unchanged. Management still has to wrestle plans through the IRS on an individual basis.

Tax and compensation consultants fear that sensible deferred pay plans may be abused under the present confusion bringing on a general disallowance. That happened to the old collapsible corporation and to stock options. The latter were virtually banned by stiff tax treatment during the 1940s—and it wasn't until Congress laid down specific rules that they became available to business again as an incentive.

II. Future of Deferred Pay

There's still no certainty, of course, that Congress will ever approve deferred pay designed to help executives level out their incomes.

But most consultants say it is fairly safe to adopt such a plan if it includes certain features that (1) make it advantageous to the company as well as the individual and (2) require that an executive perform certain duties or refrain from certain activities—to "earn out"—the deferred part of his pay. In this manner, the executive hasn't a fully vested, non-forfeitable claim on the deferred pay—so, it is argued, he can't be taxed on it until he actually gets it.

Usually, the stipulations give the company the right to call on the executive for consultation, prohibit him from entering any competing business, and make the payments non-transferable except in the case of death.

• **Far Apart**—At this point the experts—even those who admit that executive take-home pay has suffered in comparison to other segments of economy—start to disagree.

Some say bluntly that deferred pay is nothing more than a tax dodge, favoring special, small groups.

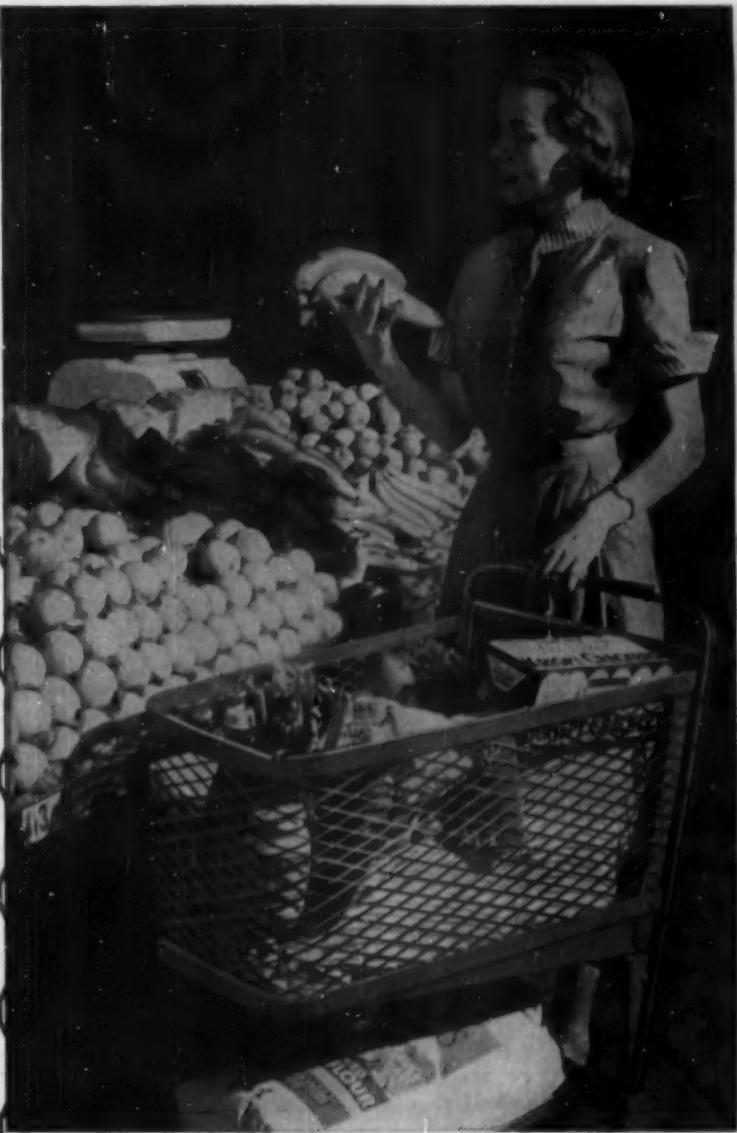
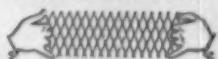
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story. They admit that it helps the executive delay taxes—and get a better tax break. But they insist that this is the only way companies can create enough incentive for top management people. To pay out in straight salary an amount that would match the estate building power of a deferred system would bring down howls alike from public, stockholders, and government.

What's more, tax consultants who have written plans and contracts for executives claim that the company, as well as the executives, benefit. By wrapping deferred pay schemes with conditions such as consultation services and the prohibition on entering competing businesses—plus specified waiting periods during which the executive has to work for the company—the executive's services are tied down firmly.

III. Mobility

This raises the big social problem of mobility of executives—a problem of major interest to businessmen.

Sen. Barry Goldwater (R-Ariz.), a member of the committee sponsoring the study, owns a department store in Phoenix, knows how tough it is to get top men to move, and wonders what effect deferred pay has.

There's not much question that deferred pay is often designed in many cases to make it hard for competition to grab away your executive personnel.

• Objections—Some observers contend that, for the good of corporate management, this ought not to be. Consultant Peter Drucker, for instance, in a private letter to tax consultant Rothchild wrote:

"In every company I know there are dozens of people who should have left the company—or should have been fired—but who stay on because the penalty of leaving is simply too great." He adds:

"All of these plans have become schemes to tie executives to a corporation with golden chains . . . an attempt to establish a monopoly on talent."

Paradoxically, this argument against deferred compensation—that it hinders the freedom of executives to move and for corporations to acquire better talent—may be used to win Congressional approval for them.

In effect, the backers of deferred pay admit that the conditions of employment that usually accompany the plans are, to some extent, forced on companies in order to assure favorable tax treatment both for the company and the executive.

But, they say, if Congress approved these hitherto nonqualified plans the stiff employment restrictions would be obviated. The mobility problem would be partly solved.



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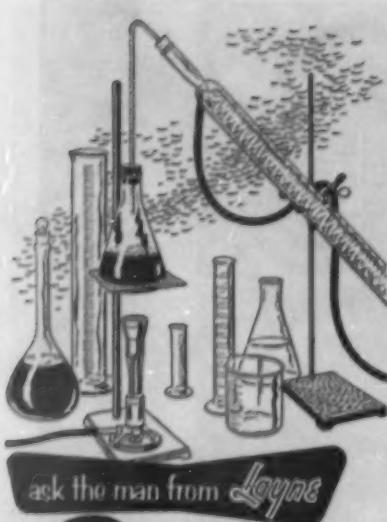
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When Don Berlin (left) displaced Frank Piasecki as chairman, stage was set for . . .

Splitup at Piasecki

The aviation industry was stirred up this week over one of the most startling intramural scraps in its history. What the industry was trying to figure out was why Frank N. Piasecki, founder of Piasecki Helicopter Corp., Morton, Pa., pulled out of that firm and organized the completely new Piasecki Aircraft Corp.

From Piasecki himself and from Piasecki Helicopter Corp. Pres. Don R. Berlin, who recently displaced Piasecki as board chairman of the helicopter company, come only vague reports of "disagreement on management policies."

• **Drag-Out Fight**—But enough information has leaked out to indicate a drag-out fight preceded this polite, long-range fencing. The picture shapes up like this:

• The disagreement between the 35-year-old Piasecki and the management forces led by Berlin goes back at least 18 months.

• Piasecki, once the principal shareholder in Piasecki Helicopter, made an unsuccessful bid to regain control of the company a few months ago. At the board election, Apr. 18, he got two of his associates—James J. Davis, Jr., Philadelphia attorney, and Donald N. Meyers, director of research and development for Piasecki Helicopter—elected to the board. But when the board met to name a chairman on May 3, it refused to reelect Piasecki, elected Berlin instead.

• After his ouster as board chairman, Piasecki stormed into his office one Sunday to remove all his personal belongings—and he never set foot in it again. The company had wanted

Piasecki to stay on to head up all its research. Piasecki did attend board meetings, though.

• Shortly afterwards, Piasecki announced he would form a new company, Piasecki Aircraft Corp., to do engineering and development work in the aeronautical field. His first prospective customer, he said, would be Piasecki Helicopter.

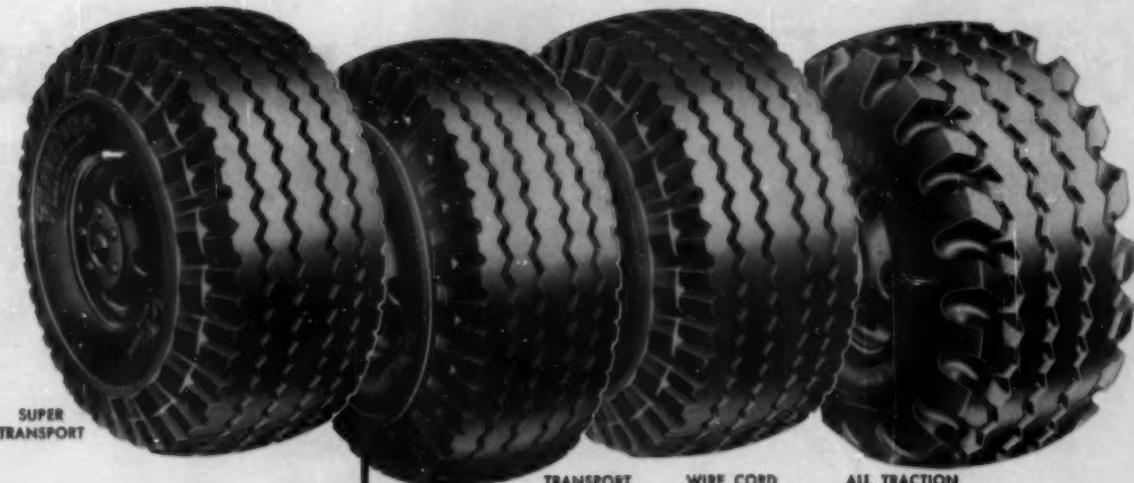
• Two days after Pennsylvania chartered the new company, Piasecki said negotiations with Piasecki Helicopter for a contract had broken down and that the new company was looking for business elsewhere.

The battle for control of the company has its roots in the troubled history of Piasecki Helicopter. From 1940, when he formed the group that later emerged as Piasecki Helicopter, until 1946, Piasecki and close associates retained tight control. But in 1946, they sold 51% of the company's shares to an investment group including members of the Rockefeller family to raise additional capital.

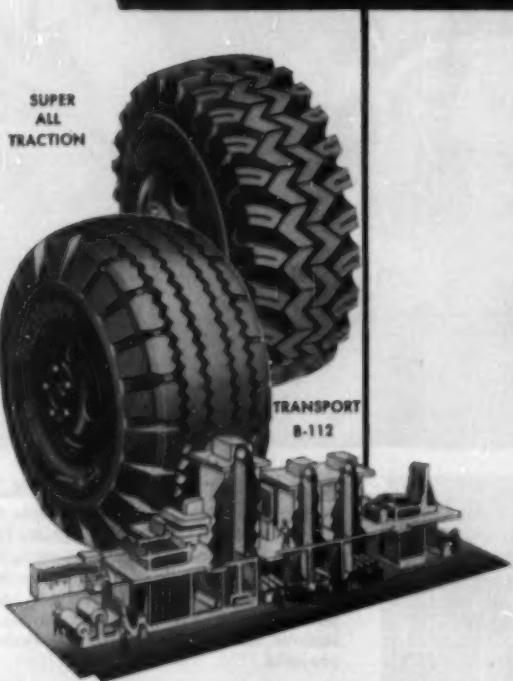
In 1950, Piasecki relinquished the presidency, taking over as board chairman. Berlin—then executive vice-president of McDonnell Aircraft Corp.—was eventually brought in as president to work the kinks out of the company's production lines.

Piasecki and a group of former Piasecki Helicopter executives who have joined him in his new venture, claim to own 25% of the stock of the helicopter company. Insiders say the investment group's holdings now are about 40% of the total outstanding 419,915 shares.

• **Live-and-Let-Live**—Piasecki says his



Longer Mileage Truck Tires Explain Firestone Leadership



This new multi-million dollar equipment combines the famous Firestone Gum-Dipping* process with Safety-Tensioning, a new Firestone process which takes the stretch out of truck tire cords. The result is the elimination of tire growth and tread cracking . . . greater resistance to impact breaks . . . longer tire life . . . more money-saving retreads.

LEADERSHIP in a competitive field is not bestowed. It is won on merit. That is particularly true in the truck tire field where tires are judged by the truck operator on the basis of what they will do for him by lowering his tire mileage costs.

Firestone truck tires are cost-cutters because they are built for longer mileage and they deliver it. The Firestone research, development and production departments all have one major objective —to design, compound and build every Firestone truck tire to run more miles at a lower cost than any other truck tire. A tire that won't do that can never carry the Firestone name.

Truck operators everywhere have learned from actual experience and from their records that Firestone truck tires *will* cut their mileage costs. Their recognition of quality is the one thing that has established and maintained Firestone leadership in the truck tire field.

ON NEW EQUIPMENT ALWAYS SPECIFY **Firestone**

* T.M. Reg. U. S. Pat. Off.

Enjoy the Voice of Firestone on radio or television every Monday evening over ABC

Copyright 1955, The Firestone Tire & Rubber Co.

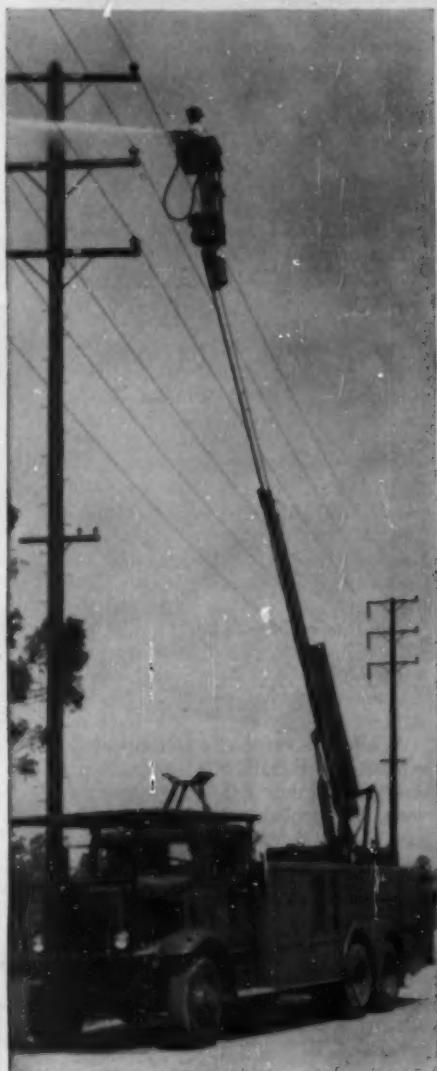
Only STEEL can do so many jobs



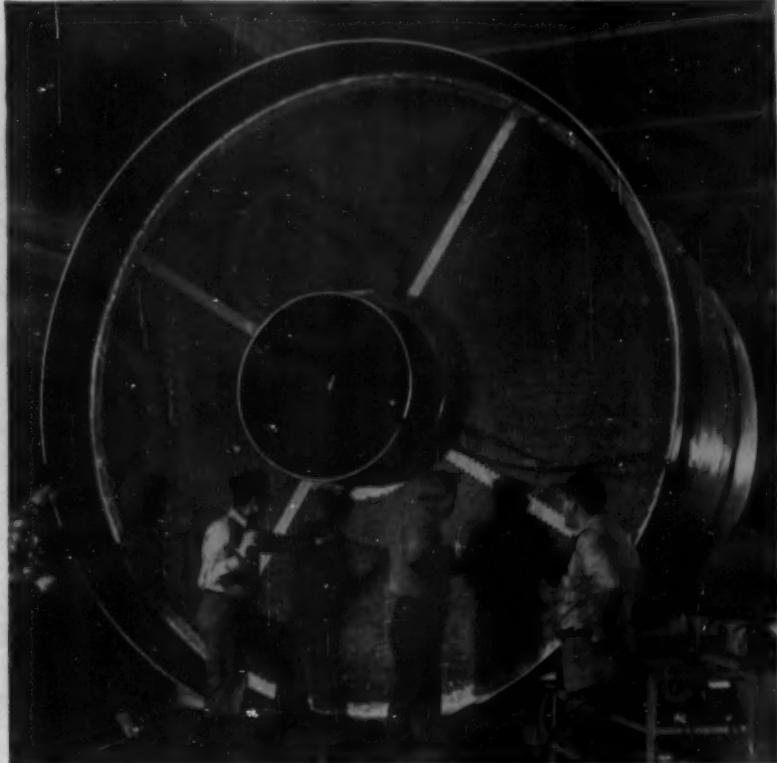
Do It Yourself—The Easy Way. Steel power tools have made it possible for the amateur to make high-quality furniture. With a true-running saw, for example, you can be sure of precise cuts and tight joints. Multi-purpose steel power tools furnish the accuracy and remove the drudgery from workshop projects.

Install Your Own carport or patio cover. Two men, without special training, can erect this all-steel carport in a matter of hours. The lightweight steel structural members and roof sheets are rigid and strong . . . and they'll look like new ten years from now.

so well



This Monkey Shines in the eyes of public utility men. They actually call it an industrial monkey, and it's made from USS National Seamless Mechanical Tubing. The monkey swivels, goes up and down, and will turn in a complete circle. The tubing is pierced from a solid billet of steel.



It Looks Like A Sieve, but it's really a USS Stainless Steel plate fabricated for a chemical company. The plate contains 25,400 holes, and each hole supports a piece of tubing. It's made from Stainless Steel because no other material has such a unique combination of corrosion and heat resistance, along with high strength.



Three Hopper Spreaders are now available to farmers. These all-steel spreaders offer many advantages at seeding and fertilizer spreading times. They can help save much time, effort and money through the simultaneous application of essential plant food.



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OIL WELL SUPPLY...TENNESSEE COAL & IRON...UNITED STATES STEEL PRODUCTS...UNITED STATES STEEL SUPPLY...Divisions of UNITED STATES STEEL CORPORATION, PITTSBURGH

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S-1980

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Unique Antique

Old and Weak

Of all the criteria by which value is determined, age is one of the most important. But value can move in two directions . . . upwards and downwards.

When applied to machine tools, age takes a heavy toll and their value, in terms of production efficiency, decreases rapidly.

It's difficult to determine at just what point the cost of keeping an old machine makes it economically mandatory to buy a new one. It obviously varies with the type of machine, the extent to which it is used, as well as its age.

Recent studies show that a larger percent of the machine tools in use today are costing more than they're worth in terms of low production, efficiency and high scrap.

If you are still using hobbing machines that are 5 or more years old it will pay you to get the facts on the new Lees-Bradner line. Tremendous improvements in speed, accuracy and efficiency have been built into these machines, resulting in important production dollar savings.

Ask your Lees-Bradner representative for the whole story or get in touch with The Lees-Bradner Co. direct.



LEES-BRADNER MODEL 7 TYPE HD
6" X 20" 4-SPINDLE ROTARY HOBBER

the **LEES-BRADNER** Company
CLEVELAND 11, OHIO, U.S.A.



IF YOU THREAD OR HOB . . . GET A BETTER JOB WITH A LEES-BRADNER

group will retain its substantial holdings of Piasecki Helicopter and emphasizes that the group doesn't want "to jeopardize" its investment. This partly explains the live-and-let-live attitude that both sides in the dispute now have assumed. Berlin says there are no negotiations to buy Piasecki's stock now. However, he does plan to change the older company's name to avoid confusion with Piasecki's new venture. A special stockholder meeting is in the offing to effect the change.

Piasecki and most of the associates who left the old company for the new are idea men, designers of new processes and products. They include research specialist Eliot Daland, 67, one of the founders of Piasecki Helicopter, and Edward G. Vanderlip, 47, an electronic and patent specialist.

Also associated with the company are Davis and Meyers, the men Piasecki succeeded in getting onto the Piasecki Helicopter board—Davis as secretary and Meyers as board member.

The founders put up \$500,000 of their own money to get the new company rolling and issued themselves 300,000 shares of common stock. Further capital may be raised through public financing or possibly through a bank loan.

• **No Production**—Piasecki's new company will not be a production operation initially. It is seeking research and development work, particularly in the military field.

While it is certain to concentrate on vertical lift aircraft, the company may stray into other fields. Piasecki says what will probably be the new company's first contract "is a mechanical engineering job with no connection with the aeronautical field."

• **Policy of Separation**—You get a further idea of the disagreement between Piasecki and his old company from some of the objectives he has set for his new venture. For one thing, he intends to separate production from research.

Until very recently, production at Piasecki Helicopter's sprawling Morton plant never has kept pace with advances in design. Then last year, just as production seemed about straightened out, manufacture of its biggest production item, the twin-rotor, 20-passenger H-21, was halted twice due to engineering snags.

Berlin feels most of the production difficulties have been pretty well licked. He says production is a little ahead of latest schedules.

• **New Marketing Concept**—Piasecki Aircraft intends to follow a new marketing concept that calls for a concerted effort to push commercial, industrial, and foreign sales at the same time work proceeds on military orders (BW—Sep. 26'53, p144).



Communication center...on wheels

The men above will slide that cabinet, on its casters, into a corner and make some electrical connections. Then this office will have its own DIAL telephone system—hooked up to 40 inside 'phones, with eight lines to outside and two extra service lines for the girl at the reception desk.

Lots of companies make telephone systems. Trouble is, with many of them, you'd have to find or create a large area somewhere, to house the racks and batteries and other necessary equipment.

Our engineers believe that communication facilities needn't be cumbersome. And one proof that they're right is the file-size cabinet shown above—a complete dial telephone system for offices which have outgrown manual service and look on time saved as money in the bank.

There'll be an operator in the reception room. But all she will do (on a switchboard about the size of a portable typewriter) is answer calls from outside and *dial* them to the parties concerned, plus using her two extra lines for information calls.

Everybody else can have full dial service . . . calls direct to co-workers, calls outside by dialing "9," calls after hours without an operator, even paging to locate important personnel anytime.

Making things which work is one factor in manufacturing success. Making them fit the ever-changing pattern of business is another. Both objectives have guided us for more than sixty years.

Ask your telephone company how they can meet *your* communication problems, or address your request to us, if you prefer.

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AND MANY OTHER ELECTRONIC PRODUCTS FOR OUR ARMED FORCES

In Management

Three-Way Deal Makes An Appliance Combine

Management this week confirmed a rumor that's been current in marketing circles for some time (BW—May 21 '55, p144)—that three big appliance makers are getting set to combine parts of their businesses.

Confirmation of the rumor came with announcement of "agreement in principle" among the directors of Whirlpool Corp., St. Joseph, Mich.; Radio Corp. of America, New York; and Seeger Refrigerator Co., St. Paul, Minn.

Whirlpool makes home laundry equipment, Seeger makes refrigerators, and RCA has a line of air conditioners and ranges.

The idea behind the combination, says Whirlpool's Pres. Elisha Gray, is to come up with "a more complete line of major home appliances."

The new company, to be called Whirlpool-Seeger Corp. will have assets totaling \$130-million and a net worth of \$85-million. Some 5.8-million shares of \$5 par common stock, and 211,000 shares of non-voting preferred with an \$80 par will be exchanged in various ratios for stock in the three companies.

Sears, Roebuck & Co., for whom both Seeger and Whirlpool have been making appliances, owns considerable stock in both corporations. Under the present plan, Sears and RCA agree to retain a combined interest in Whirlpool-Seeger not to exceed 50%. Moreover, only 20% of any stock so held will be voted by the RCA-Sears interests. The rest is to be voted by the new corporation's president.

Lid Blows Off Webcor's Rough-and-Tumble Row

The lid blew off a bitter battle inside top management of Webster-Chicago Corp. this week. Four vice-presidents were fired (by telegram) and then Webcor's Pres. Norman C. Owen turned in his resignation in protest against the firings.

The Webcor board picked Titus Haffa, a Chicago politician turned businessman, to succeed Owen as head of the electronics company.

Haffa is the man who ordered the firings and sent the telegrams. When he did it he was not an officer or board member of Webcor—but he did have working control of the company. Owen fought the firings. He said they violated the company's by-laws, should have been checked out with his office and with the board. And when it was clear that Haffa intended to make the firings stick, Owen quit.

This mass removal of top Webcor management is another in a series of setbacks that the company has suffered since its early postwar decision to go big time

by making electronics equipment under its own label. Its sales have gone up well, but its profits haven't kept pace.

In late 1952, it seemed Webcor was headed for its first year in the red and two Webcor board members thought the remedy was a merger. Emerson Radio Corp. was the prospective other party and it was receptive. Webcor's chairman and founder R. F. "Rudy" Blash liked the idea at first, but later he cooled off. His switch was helped by the cold water that his top management threw on the deal and was speeded by clearly developing opposition from a large group of stockholders.

Here, Titus Haffa, a boyhood friend of Blash's, came into the picture. He joined the anti-merger movement, made available to Blash, personally, a reported \$1-million war chest.

And so they stopped the merger. Blash has never made clear just how Haffa's war chest helped achieve this. But one thing is known: Haffa did not own much stock of record at that time.

Since then, Chmn. Blash has sold Haffa enough stock to give him control of the company. Last month, for example, Haffa bought another \$500,000 worth of Webcor shares, most of them from Blash. His holdings in Webcor are now estimated at between 25% and 35% of the outstanding stock.

Despite his control, Haffa stayed on the sidelines until the latest blowup. He says he liked the way Owen (who was made president last year) was cutting costs. He thought his own firing of the four vice-presidents was an extension of Owen's policy.

Apparently, he didn't expect Owen to resign. He says now: "I thought I could work on the sidelines . . . I wasn't after any scalps."

Libby Proxy Fighters

Shift Gears to High

The proxy fight for control of Libby, McNeill & Libby, giant Chicago food company, stepped up in tempo this week when management and an independent stockholders group began shouting charges and counter-charges.

Both sides are wooing stockholders in anticipation of the company's annual meeting Aug. 17 in Portland, Me.

The insurgent group, composed largely of Eastern financial interests, wants to unseat the present officers because Libby "under its present management, has the poorest record of the major companies in the industry."

The committee, in proxy solicitation material signed by Mitchell May, Jr., New York insurance broker; Alfred W. Parry, Jr., New York shipbroker; and Wilbur E. Dow, Jr., New York admiralty lawyer, said: "Even relatively new companies, without important trade names, have made significant strides [in earnings] but Libby has watched the parade go by."

To this, Libby Pres. Charles S. Bridges replied in his letter to stockholders that Libby's net income has increased 6.8% since 1946. (Libby's sales were \$233-million for the year ended May 28, 1955.) Four of Libby's chief competitors had their net income drop at the same time, Bridges says.

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Each of the products listed above is backed by the name Swift and its 100 year reputation for quality. In addition, each is backed by able research and modern laboratory, production and marketing facilities. To put these advantages to work for you, just call your local Swift office—you'll find one trial is better than 1000 claims. Swift & Company, General Office, Chicago 9, Illinois.

Night view of Swift's Industrial Oil and Fatty Acid plant at Hammond, Indiana.



In Washington

Proposed Tax Reduction Bills Bite Into Treasury Revenue

A dozen special tax reduction bills have a good chance of being adopted this year.

The Treasury Dept. is opposed, but the House Ways & Means Committee is pumping out a steady stream of approved bills, ranging from special excise tax relief to more liberal treatment of companies doing business abroad.

Most of these will cost the Treasury money. Treasury Secy. George M. Humphrey hopes to block all piecemeal tax cuts this year, so that next year he can propose a general reduction; however, key members of Congress are still pushing pet bills—with a growing chance that a number will go through. Here's what some of them would do:

- End the 10% excise tax on radio and TV equipment used by a business.
- Cancel the 4¢-per-ton tax on coal transportation. This would nick the Treasury for \$18-million.
- Reduce from 10% to 5% the excise tax on air conditioners, at a cost of \$10-million.
- Provide a five-year carry-forward and a two-year carry-back on unused tax credit by companies doing business abroad.
- Remove the \$1.75-a-ton duty on crude silica.
- Allow nonmanufactured mica to be imported duty free, and reduce duty on manufactured mica to 4¢ per lb.
- Allow deduction under the estate tax for death taxes imposed by states on bequests for public, charitable, or religious purposes.

One proposal would raise taxes.

This is the bill to tax life insurance companies under a new formula that would provide \$215-million revenue instead of the present \$190-million. The committee has approved the new plan for one year only, to give it a trial run. Its sponsors are plugging to make it permanent.

Cutdown in Paperwork Promises \$700-Million Saving

The Hoover Commission report says that U.S. businessmen can be spared the burden of filing hundreds of government forms.

A commission task force instituted a practice operation last spring, now claims a savings in cost by government and industry of \$15-million between February and May. The commission recommended that this type of operation be continued under the eye of an interagency policy committee.

The four-month task force operation savings are estimated at \$10-million for industry, \$5-million for government. Emmett J. Leahy, task force chairman, sees a possible savings of from \$600-million to \$700-

million in the next few years if the recommendation is put into effect.

Of the many forms slated for changes or abolition are: Internal Revenue forms W-2 (withholding statement), 1120 (corporation tax return), 720 (quarterly excise tax return), 941, 941-A (quarterly taxable wages report); Securities Exchange Commission forms 9-K (quarterly report of retail earnings), 10-K (SEC annual report), R2, 3, 3A (quarterly reports of working capital, long-term debt, and plant and equipment expenditures); Census forms BUS-990M (sales and inventory report), BUS-950M (current trade report), 40-70 (census of business); and Labor Dept. form BLS-790C (confidential report on employment, payroll, hours).

FRB Moves to Remake Laws As Treasury Sells Surplus Gold

This week, the Treasury Dept. sold to Handy & Harman, silver suppliers, 400,000 oz. of silver for industrial use at 91¢ an ounce. The company has been unable to get its full supplies because of a strike.

The Treasury holds hundreds of millions of ounces that it buys from U.S. mines under the Silver Purchase Acts because no one seems to want the metal. The Handy & Harman sale was the first the Treasury has made since the Korean emergency.

The industry in general doesn't like the purchase acts, but of course the Western miners do. The Treasury sale coincided with hearings a Senate banking subcommittee is holding on legislation to repeal the laws.

Subcommittee Chmn. Paul Douglas called on Treasury and Federal Reserve Board officials to give their views on the legislation.

These officials testified that the existence of the silver purchase laws really doesn't trouble them at all. FRB Chmn. William McC. Martin said, "It's peanuts, just peanuts," meaning that the inflation caused by minting the western silver is trivial. Mining lobbyists who attended the hearings were jubilant at this testimony.

At one session, Douglas tauntingly passed a \$20 bill to Treasury Under Secy. W. Randolph Burgess, demanding that he be given gold for it. Burgess smilingly replied that he would later send the senator some "lawful money"—20 silver dollars. Similarly challenged by Douglas, Martin tucked the senator's banknote into his pocket and promised to study the request.

None of this is going to change anything, least of all the law. But the hearings will be resumed next week—and next year.

Congress Turns Thumbs Down On Modernistic Air Force Academy

The Congressional uproar over modernistic plans for the new Air Force academy is simmering down.

The reason: This week the Air Force dumped plans for the "accordian-like" glass chapel that brought outraged cries from congressmen who like their architecture traditional, with lots of brick, stone, and mortar. Air



Too much water... Too little

Each classifies as a disaster—and one that can directly affect you.

When your plant... production... profit... and safety are totally dependent on high-line power, floods, storms, and severe water shortages can bring a disaster right to your door. Oddly enough, such a disaster can often be avoided for less than the price of a single power outage.

In many industries throughout the country, dependable Fairbanks-Morse Diesel Generating Sets provide that protection.

In addition, there are day-to-day savings with in-plant power: eliminate power factor penalties, add to current capacity as load increases, reduce peak demand values for lower purchased power rates and often earn lower plant insurance rates.

We'll gladly send you more information or survey your plant's power requirements without obligation. Why not do it today—before power fails you? See your nearby F-M Branch or write Fairbanks, Morse & Co., 600 So. Michigan Ave., Chicago 5, Illinois.

F-M Diesel Generating Sets



from 3 kw. to 2500 kw. capacity



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ONLY WESTINGHOUSE WATER COOLERS HAVE ALL THESE QUALITY FEATURES

Dual Electric Control . . . finger tip plus toe tip operation (no extra cost). Automatic Stream Height Regulator — no spurt — no splash — no dribble! Patented Pre-Cooler . . . increases capacity up to 60%. Exclusive Super

Sub-Cooler . . . sub-cools the refrigerant for greater efficiency. Time-tested Compressor . . . durable, reliable, economical. Solenoid-Actuated Bubbler Valve . . . for longer life without leaks. 5-Year Guarantee Plan.

SAVE HUNDREDS OF DOLLARS WITH PAY-WAY! FREE BOOKLET SHOWS YOU HOW.

To get information as to how Pay-Way can save you money in your office and plant, call your local Westinghouse Water Cooler Distributor. Or write: Westinghouse Electric Corporation, Electric Appliance Division, Springfield 2, Mass.

YOU CAN BE SURE...IF IT'S

Westinghouse

Force Secy. Harold E. Talbott—trying to get Congress to unlock a \$79-million appropriation for construction—promised to bring in new chapel plans.

• • •

Antitrusters Hit Dulles On U.S.-Iranian Oil Deal

U. S. foreign policy and Congressional antitrust probing have collided head on over top level documents involved in U.S. oil participation in the Iranian oil consortium. And there may be more repercussions.

State Secy. Dulles, in effect, has advised Rep. Emanuel Celler (D-N. Y.) to desist in his demands for certain documents implementing the consortium plan and on agreements between participating companies. Their publication "would adversely affect the foreign relations of the U.S." Dulles wrote Celler.

Celler, head of a House antitrust subcommittee, has been hammering away at the Eisenhower Administration to get details on just what—if any—antitrust concessions were granted to American companies on the Iranian arrangement.

High on Celler's list is the question why the same American companies that Justice Dept. has charged with an illegal international oil cartel were cleared by Atty. Gen. Herbert Brownell to participate in the Iranian consortium.

Dulles did give Celler three legal opinions that Brownell supplied on the consortium and U.S. participation in it. The documents, under security wraps until now, add up to a highly qualified antitrust O.K.—but they cover only joint purchase of Iranian oil.

• • •

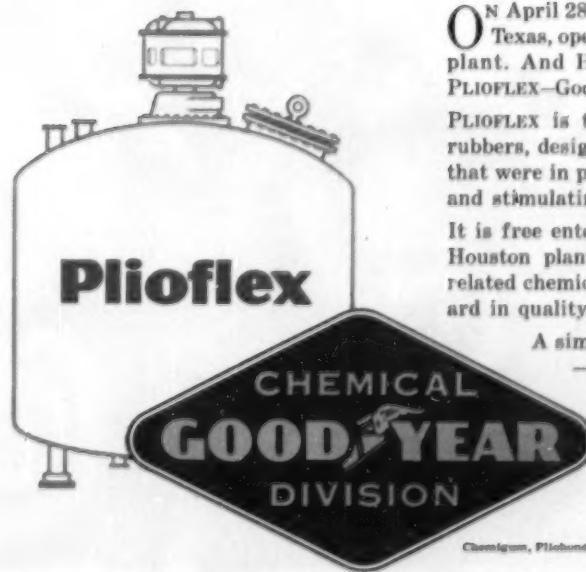
Atomic Merchant Vessel To Replace Peace Ship

The House this week approved the construction of an atomic-powered merchant ship. But it was not the Eisenhower peace ship. Instead, the House voted for a ship that will have a specially developed power plant suitable for commercial use. The new ship would take from five to 10 years to build and cost approximately \$30-million.



GOODYEAR

Now—a new standard in synthetic rubber!



ON April 28, 1955, the Government synthetic rubber plant in Houston, Texas, operated by Goodyear for nearly 15 years, became a Goodyear plant. And Houston GR-S—Government Rubber-Styrene—became PLIOFLEX—Goodyear Synthetic Rubber.

PLIOFLEX is the family name for a series of primarily nonstaining rubbers, designed for many uses. These are basically the same rubbers that were in production when the plant changed hands. However, a new and stimulating ingredient—free enterprise—has been added.

It is free enterprise *plus* 15 years' experience in the operation of the Houston plant *plus* many more years of manufacturing and selling related chemicals to industry that permits PLIOFLEX to set a new standard in quality and service for synthetic rubber.

A similar standard also has been raised for the PLIOLITE latices—former GR-S latices now being manufactured in the also newly acquired Goodyear plant at Akron, Ohio.

Further details, in the form of a four-color, 24-page brochure, "PLIOFLEX Synthetic Rubber," are yours by writing, on company letterhead, to: Goodyear, Chemical Division, Dept. G-9415, Akron 16, Ohio.

CHEMIGUM, PLIBOND, Plioflex, Pliolite, Plio-Tuf, Plivic—T. M.'s The Goodyear Tire & Rubber Company, Akron, Ohio

The Finest Chemicals for Industry—CHEMIGUM • PLIBOND • PLIOFLEX • PLIOLITE • PLIO-TUF • PLIVIC • WING-CHEMICALS

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Point is, Gair Package Analysis gets rid of the "maybe". This unique service uncovers your basic packaging needs, relates them to your marketing and shipping patterns. Then Gair Creative Engineering studies these facts, comes up with the carton material, the structural and graphic designs, the printing and production techniques that will make your carton a best-seller in today's fast-moving market.

*Gair Package Analysis is a service designed to blueprint a successful carton for your product. Your nearest Gair representative will be glad to give you the full story. No obligation, naturally.



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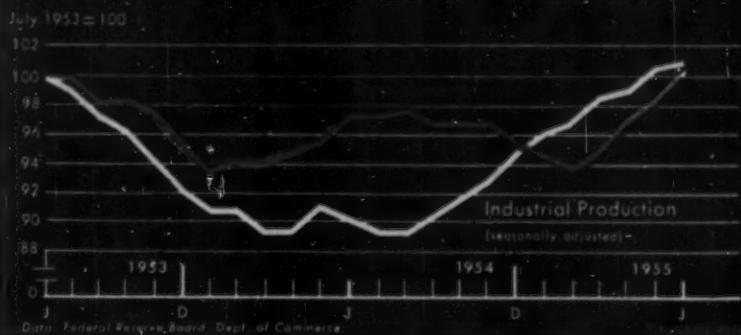
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CHARTS OF THE WEEK

Employment And Production



The Gap Gets Narrower

The chart above shows that the 1953-54 recession followed the traditional pattern of employment and production. Start back in July, 1953 when both industrial production and employment were at record levels. Industrial production slipped from its peak, but employment remained high. When employment did decline it moved downward more slowly than production. The number of persons employed dropped from 63.7-million in July, 1953 to 59.8-million in January, 1954—a 6.1% decline.

In this same period output fell off 8.8%, seasonally adjusted, from its record. But then, when production began to move upward again, employment declined for a time, and then lagged behind in its upward move.

In May, 1955 industrial production broke the record set back in July, 1953. Employment was still below its peak level also set in July, 1953. In June, however, employment shattered its old record, increasing 1.9-million from the May level to 64,016,000.



Still at Record Levels

Retail sales for June held to their peak level. Actual sales were \$15,588-million, according to the Commerce Dept.'s Advance Report on Retail Trade, which thinks the seasonally adjusted figure will turn out to be about

the same as May's \$15,339-million. Actual June sales were 6.3% above the year-before month.

Record sales for the first six months are making it look as though the whole year would set a new mark.



Some men like tall girls. Some men like short girls. Some men like girls.

Some carriers like big shipments. Some carriers like small shipments. Federal Barge likes shipments.

Big ones, small ones — we like 'em all, from LCL to bargeload. And we cater to every size of shipment with special equipment that's just right for the job.

Matter of fact, some of our customers that started out shipping LCL are shipping bargeload these days. Their business has grown because the money they save in rock-bottom barge freight rates gives them a competitive edge over the opposition.

Wish your business were in the same boat? Then get in touch with the nearest FBL representative . . . and prepare to expand!

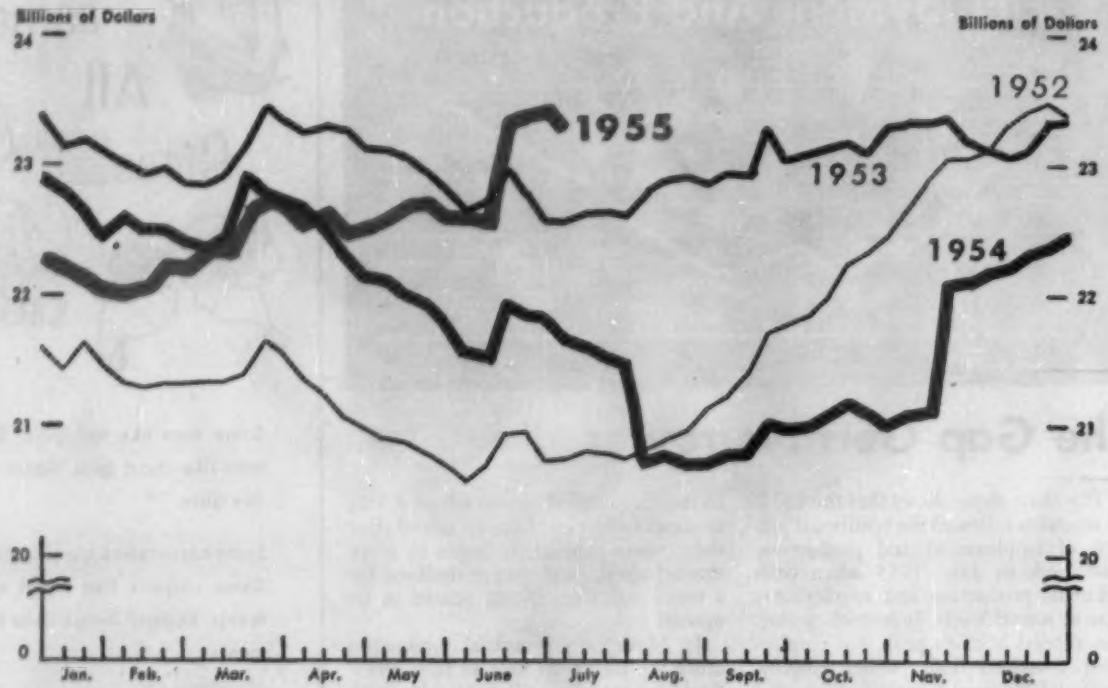
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A PRIVATELY OWNED CORPORATION

FINANCE

BUSINESS LOANS: Shaping Up as the Best Year Ever



Data: Federal Reserve Board.

Bright Reflection of the Boom

The chart above is graphic confirmation of the record first half that the economy has just rolled through. It shows you plainly how business loans, which would normally slump off during the first half, have actually expanded in this period to the tune of \$900-million. That's a 4% gain since the end of 1954. Today, business loans are running \$1.7-billion ahead of last year's mid-year total.

These are the loans that represent the new-money needs of commercial, industrial, and agricultural borrowers. Ordinarily, first-half demand for them slumps off. It did so in good years like 1952 and 1953. It did so last year, too, though 1954's showing was unseasonably spotty because demands for bank money slumped even more sharply than the business recession generally (BW-Jul.10'54,p41). So this year's figures mark the first net gain in loans for the first half period since 1951.

Bright Prospect—Now the bankers—and their customers—are trying to plumb the dimensions of second-half demand. Most bankers believe a sea-

sonal upswing is in store. If it comes it will mean a rise in business loan volume of at least 6% to 8%. This would leave outstanding loans for reporting Federal Reserve member banks at a record yearend total of \$25-billion. It would also mean handsome bank earnings (BW-Jul.16'55,p98).

These are some of the factors pointing to at least a normal upswing in demand for money in the next six months:

- This promises to be one of the best years ever for many crops and, although agricultural prices generally are expected to give a little, crop loans should mean a big boost for loan totals.

- There are increasing signs that durable goods manufacturers are building up inventories, and even though this build-up may not exceed what is considered normal for the present pace of business, financing their inventories will create further loan demand. In the first half, inventories were a minor factor in the strong showing.

- Spending for plant and equipment is expected to pick up in the second half. Some borrowers, particularly public utilities, often use bank loans to get expansion started, and later refund the loans with a securities issue.

- The fourth-quarter holidays, always a period of heavy loan demand particularly from retailers setting up large inventories, are expected to match records for the period, if present levels of income and spending can be taken as indicators.

- And a relatively minor boost will come in the fourth quarter when 10% of the current year's estimated corporate income taxes fall due. Businesses borrowed heavily to meet this year's March and June tax dates: When the June date rolled around it brought the second largest weekly borrowing figure on record for all member banks.

All these are basically seasonal factors that always contribute to a higher loan volume. But this year they will be superimposed upon the highest mid-year starting point in history. Bankers say these seasonal demands should take



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up the slack that's expected in some other areas in the second half. One large part of the slack will result from auto companies' second half production cuts. Through the third quarter, car dealers will be liquidating inventories, and in the fourth quarter, sales of new cars will be off from the first half level.

• **Meeting Demand**—The question that arises in the face of this fast upswing in demand for money is: Will there be enough money around to match borrowers' needs?

Bankers are confident that there will be, and they will continue their first half pattern of shifting hefty amounts of funds out of government securities and cash holdings and into the loan stream.

Of course, the biggest factor in determining money supply is the Federal Reserve System. The Fed, as usual, is the focus of second half forecastings and it knows it is on the spot. A New York Fed spokesman says: "We will need all our skill and plenty of luck to handle conditions in the second half."

The Fed's shift away from active promotion of easy money (through buying government securities in the open market, thereby building up bank reserves) shows up most sharply in the member banks' free reserves. In June, these reserves—which represent the amount of money each bank has on deposit with the Fed above its required reserve against deposits—averaged about \$132-million. A year ago they averaged around \$700-million. The Fed regards this June's figure as "sufficient for normal growth, but not enough to support unhealthy speculative activity."

• **Guessees**—Bankers, who toss up their hands when asked to forecast the Fed's actions, don't agree on how the Fed will supply them with adequate funds to meet the record demand they foresee.

But there is a significant group of bankers who think the Fed will allow money market conditions to tighten even more than they have so far. One banker in this group says: "If the Treasury gets away with its financings all right, the Fed probably would like to see things get even tighter."

Many in this group feel that one way the Fed may tighten money conditions is to raise the discount rate—the rate at which member banks can borrow from the Fed—even before the fall pickup in demand for credit gets into full swing. These bankers feel that the Fed might do this as a warning to the banks against excessive extensions of credit. Allan Sproul, president of the Federal Reserve Bank of New York, has long advocated use of the discount rate as a warning signal to bankers on how the Fed feels they



NAVY GETS DEVICE TO PINPOINT LANDINGS

Landing Craft to Have Means of Precise Navigation

THE STORY BEHIND THE STORY:

The real news in the above headline warrants explanation—unless you've ever taken part in a beachhead assault with fog, darkness or smokescreen blotting out every trace of visibility.

■ Imagine yourself in command of a landing craft — one of dozens making an attack run on a hostile beach. You must stay on your own exact course or you'll run down — or be run down by — your sister ships. Or, worse yet, you may miss your designated spot on the beach, causing confusion and possible disaster to the operation. It's a neat trick under any con-

dition! And until now, it had to be done entirely on directions from an unreliable magnetic compass.

■ How do you determine and hold an absolute course at sea? There is only one trustworthy way and that's with a Gyro-Compass — unaffected by magnetic disturbances. And, since 1911, such Gyro-Compasses developed by Sperry have guided the greatest ships of the seas. But where on a 36-foot landing craft would you put a Sperry Gyro-Compass standing 4 feet high, and weighing 900 pounds?

■ Working with the Navy's Bureau of Ships' engineers, Sperry solved the problem by developing an entirely new Gyro-

Compass, especially for the purpose. It weighs 9 pounds instead of 900—is just 9 inches in diameter—and costs but a fraction of the amount of the larger compasses. And all without sacrificing Sperry precision. Development of this new Mark 22 Gyro-Compass is typical of many ways Sperry aids the military in their search for greater effectiveness, greater economy.

■ It's typical, too, of Sperry's developments that aid commerce and industry. For when the Navy's immediate needs are met, Sperry's Marine Division will make this new compass available to commercial shipping—putting Sperry precision navigation within reach of even the smallest ships.

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should move in the money market.

• **Pointers**—The Treasury has two important dates ahead that bankers are watching. The first is the refinancing of \$8.5-billion of certificates that mature on Aug. 15. This week Treasury announced a dual exchange of short-term issues for maturing certificates. The second date isn't definite, but in October the Treasury is expected to come into the market for from \$4-billion to \$5-billion of new money.

Treasury has another gimmick up its sleeve that can affect the funds available to banks for loans, at least over the very short term. This is its manipulation of its tax and loan accounts with commercial banks. In these accounts Treasury keeps funds it has collected from borrowings or from taxes and it calls on the banks to deliver the funds as it needs them.

The way Treasury handles these sizable accounts can have a big effect on a bank's lending ability. At the beginning of last month, for instance, the member banks' reserve positions had become extremely tight because of heavy borrowings around the Memorial Day holiday. So the Fed jumped right in and bought \$180-million of governments to alleviate the shortage a little. But it was Treasury that supplied the largest degree of first aid. It postponed for nearly a week a call on commercial banks for \$224-million in its tax and loan accounts. This allowed the banks to use those funds until reserves loosened a bit.

• **Rates' Future**—But even if all these plays are made to boost the money supply and allow for the second half's expected increased demand, the supply probably will not be large enough to keep money rates from rising. The New York Fed recently released figures showing that the average rates on longer-than-one-year loans rose from 3.10% to 3.29% between March 15 and June 15 this year.

Bankers readily admit that as money has gotten tighter this year they have downgraded their borrowers' credit standings. "There aren't nearly so many prime risks as there were nine months ago," says one banker. "You can bet the number will continue to decline—at least until the prime rate goes up." Like most other bankers, he looks for a prime rate boost between Labor Day and Treasury's October financing. The rate was trimmed from 3½% to 3% in early 1954, and has stayed there since.

• **Gain Through Crops**—As the crops start coming to market, the country banks, especially Midwest and South, probably will show sharper gains in borrowings than New York banks. But it is expected that as loan volume continues to expand in the country, New York banks will get an increasing per-



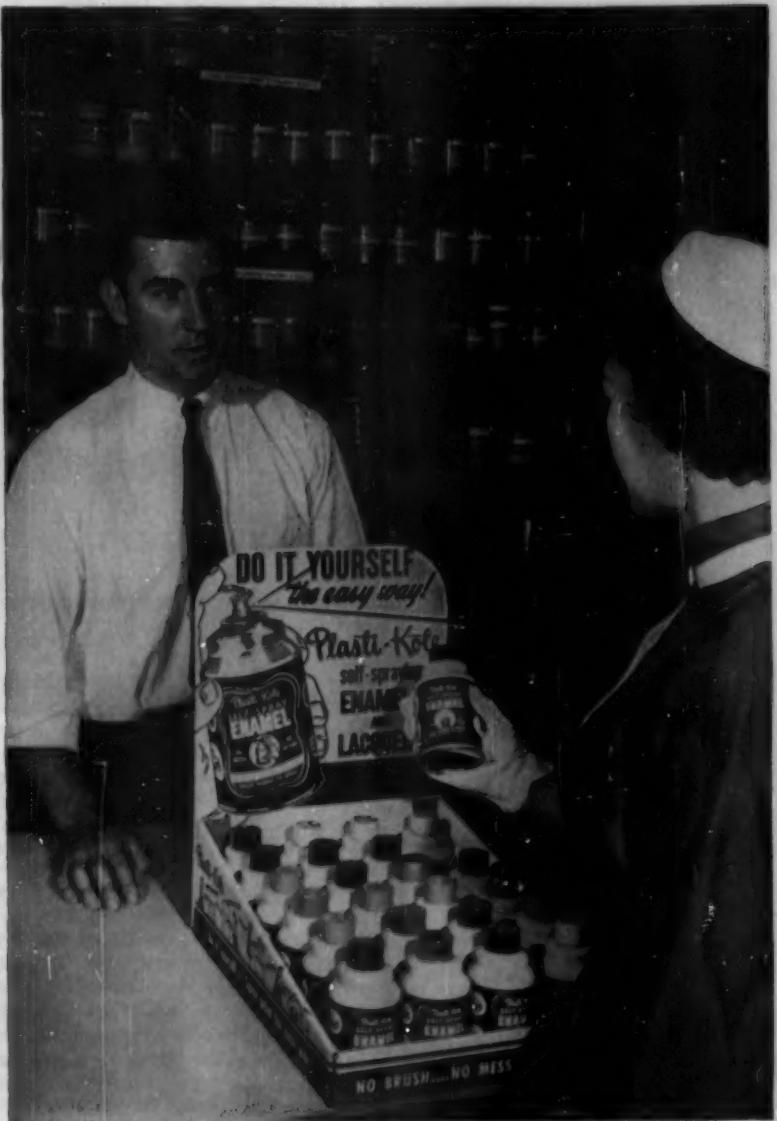
Looks like an ordinary box . . .



. . . till you lift the lid



. . . and mount the back.



Now it's a colorful counter display that has the goods already in it.

CORRUGATED box opens up as counter display . . . sales boosted 1000%

Important as displays are in today's retailing, the unfortunate fact is that there are more displays around than there are places to put them. But this new-type corrugated shipper display is shouldering its way onto counters because it's actually easier for retailers to use than not to.

The goods arrives at the store in a corrugated box that on the outside looks just like any other. Lift off the lid, and there's the display. No time loss stacking packages on shelves. No routine shunting to the back room. Some shipper displays are designed so as to unfold, with the lid part of an

attention-attracting sign. The important point is that the dealer never has to handle the merchandise. It stays right in the box till the customer buys it.

Experience has shown that in virtually every case, goods packed in shipper displays sell more than they did before. The pressure-can paint shown above sold ten times more. Similar gains have been reported by makers of tools, housewares, women's accessories, and many other items.

If you make a product that sells retail, learn how you can sell more with a corrugated shipper display—low cost, colorful, sturdy, versatile. Just call your nearby boxmaker listed in your classified telephone directory under "Boxes—Corrugated."

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centage of the very large loans. This is because the smaller banks don't have the funds to handle some of the huge loans that come along in the third quarter. This business then flows to the New York banks.

• **Tightest Spots**—There are other areas where money may well be even tighter than New York.

In San Francisco, for instance, bankers are waiting to see what the effects of a fast-paced canning season will have on borrowings. Most bankers on the West Coast feel that they have adequate funds to handle loans now, but many feel strongly that the Fed will have to give them additional money, though a reduction of reserve requirements, to keep up with what looks like near-record second half volume.

Chicago is looking for total loan

volume about the same as last year. If it's any better than that, the Windy City will set some records for loans, too. Competition for high-grade customers is fierce in Chicago. Insurance companies are cutting into some bank business. One feature of the Chicago loan picture: Some banks are lending money to manufacturers who, in turn, use the money to enable dealers to postpone payment until the first of next year on goods sold between now and yearend. One Chicago banker calls this "consumer credit in disguise." He warns that "if this continues to develop on a large scale, the country would be much more susceptible to difficulty in the event of a depression than if a large proportion of the debt was for manufacturing or production purposes."

SEC Wars on Uranium, Oil Promotions

Proposed clampdown on securities offerings would stop "promoters" from walking off with the kitty.

This week, the Securities & Exchange Commission proposed a new regulation aimed at making sure that the money the public pours into uranium, oil, and other "promotional" offerings of securities is actually used for the purposes stated in the prospectus and doesn't get siphoned off by promoters and company officers.

To begin with, the proposed rule would tie together Regulation A and Regulation D of the Securities Exchange Act. Regulation A exempts offerings of less than \$300,000 from cost of the strict SEC rules governing larger securities offerings, while Regulation D does the same for Canadian issues.

More important, the proposal announced by SEC Chmn. J. Sinclair Armstrong at the beginning of the week would make it practically impossible for "promoters" to waltz off with investors' money under the guise of a securities offering.

• **Setting Bounds**—The proposed rule would do this by new regulations for any "promotional company"—one that was organized within a year before notifying SEC that it plans to offer securities publicly, and that hasn't had a net profit from operations. The requirements:

• It would have to assure subscribers they could get all of their investment back if 85% of the total wasn't subscribed within six months after opening the offer. This would mean holding cash proceeds in escrow for that period, and would insure, says Armstrong, that the funds received by the company would be sufficient for its stated program.

• Securities could only be offered for the company's account. Officers and others could not publicly offer a block of company securities—which they may have gotten for nothing or at hefty discount from the offering price—concurrently with the company offering. But shares given or sold to officers, directors, or others, must be counted as part of the offering, though they cannot be sold to the public.

• Only the offering circular and SEC-approved ads could be used to plug the offering. This would rule out flamboyant come-on ads (BW-May 21 '55, p55).

• Instead of having to wait for a conviction, SEC could move for suspension of an offering if a person connected with it was only indicted for a securities law violation.

• The securities would need approval of the state—or province, if in Canada—in which the issuer has its headquarters or site of principal operations; and would have to be offered there as well as elsewhere.

• **Approval**—Armstrong wants comment by "interested parties" on his proposals. At midweek, hearings started in the House Commerce Committee on ruling out the less-than-\$300,000 exemption entirely, rather than revamping the law, but legislators are expected to approve most of Armstrong's provisions.

Wall Streeters are pretty unanimous that at least some such regulation is needed. One Streeter commented: "Even the publicity from these proposals may be sufficient to scare some people away from offerings that they could get burnt on. Legitimate offerings won't be affected one bit."



"The Three Musketeers"...and HIGH BLOOD PRESSURE

MEDICAL GUIDANCE, rest and weight control...these might well be called "the three musketeers" fighting high blood pressure. For when they work together...as "The Three Musketeers" did...they may help protect you against the less serious type of this disorder, or prevent complications if you have it. This form of high blood pressure, so-called "essential hypertension," accounts for more than 90 percent of all cases.

Victims of this disorder are often individuals of great drive. To lessen strain on the heart, a leisurely pace of living is desirable.

Among other things, the doctor may recommend intervals of rest during the day...and at least eight hours of rest every night. He will also urge patients to avoid situations which cause great tension, such as needless arguments.

In addition, he may suggest other things to relieve stress and worries that tend to keep blood pressure up. Mild exercise is not only usually permissible, but even encouraged.

In fact, things that help divert the mind from daily troubles and keep the patient from becoming preoccupied with blood pressure levels can mean the difference between living a useful or an unsatisfactory life.

Weight control may be important, too, in relieving high

blood pressure. Since the heart works harder when hypertension is present, weight loss naturally helps to lighten its load.

Of course, the doctor's help is needed. Regular check-ups will enable him to discover complications early if any occur and start treatment that may keep them under control.

In selected cases, great improvement can often be obtained by special diets or surgery. Several new drugs are also used now which may lower pressure and relieve symptoms. No drugs, however, should ever be tried unless prescribed by a physician.

If the doctor's advice is followed and if the patient learns to lead a *life of moderation in all things*, high blood pressure can be successfully controlled in many cases. If neglected it may damage the heart, kidneys and brain.

To detect this condition early, everyone...especially those who are middle-aged or older, are overweight, or have a family history of the disease...should have periodic medical examinations. When discovered early, hypertension is usually easier to control.

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In Finance

Turndown of N. Y. Thruway Bid Places Market in a Stalemate

Wall Street's municipal bond dealers had more than the heat—or even the persistent price weakness of their wares—to mutter about as they plowed through lower Manhattan's torrid canyons last week. What was on their minds was New York State Comptroller Arthur Levitt's turndown of a bid by a 291-member syndicate for \$125-million new state-guaranteed New York Thruway bonds (BW—Jul. 16'55, p144).

It was the only bid. Investment and commercial bankers, usually hot rivals for new tax-exempts, teamed up because of the market's recent weakness, and the fact that the issue was such a large one.

Levitt gave as his reason that "The substantial change in the . . . market . . . would have the effect of increasing the cost of financing the Thruway."

The comptroller felt the cost of borrowing—2.789%—was too steep. The last similar offering in September, 1953, cost 2.698%. Syndicate members felt the higher cost was justified by the market's weakness (BW—Jun. 25'55, p41) and the 35-year average maturity for the new issue, compared to 22 years for the previous one.

Levitt's problem now is—when to sell the bonds? Most bond men expect present edgy conditions to continue for a time. The action of the new Florida and Texas issues, which sold way below par after being put on their own when syndicate sales lagged, shows the tightness of the municipal market. After many years, it has become a buyer's market.

Though Levitt maintains the state doesn't need the money right away, Streeters note that he has an agreement to sell bond anticipation notes to banks if the bonds can't be marketed soon. He could do a couple of things to make the bonds more attractive:

- Shift more of them to the shorter end of the maturity schedule—say 10 years.

- Split the block into a couple of smaller issues to draw competitive bidding, possibly a better price.

Most likely, he'll sit tight and hope for a break that would get a better deal from the present syndicate—though its members doubt the offer can be sweetened. One Streeter recalls the answer to a predecessor of Levitt who asked when the municipal market would improve. The reply then was: When you sell your bonds.

Texas Tightens the Screws On Its Insurance Companies

Texas insurance laws—recently criticized as the nation's worst after a flurry of failures among the state's companies (BW—Jun. 12'54, p132)—are due for a sharp tightening. The state legislature this year enacted over 100 changes, and the state regulatory board has an-

nounced that the loopholes lately under fire will be closed Sept. 6.

Board Chmn. Garland A. Smith and members J. Byron Saunders and Mark Wentz rather expect the changes could touch off at first "a relatively high rate of insolvencies and receiverships." But, the board adds, this would not be a "symptom of weakness" but a "direct product of the greater strength of Texas regulation."

Under the revised statutes:

Capital requirements for new companies will be hiked sharply. You won't see any more new life companies of the "\$25,000 limited capital stock" variety recently so popular with Texas promoters.

After Sept. 6, minimum capital requirements for a new company will be \$200,000. A fire company will have to have \$50,000 surplus in addition to the \$100,000 capital now required. Companies writing all forms of fire, casualty, and marine insurance must have \$200,000 surplus in addition to the now required \$200,000 capital stock.

Insurance stock sales, now unregulated, will be strictly supervised on a "fair, just, and equitable" basis. Chmn. Smith predicts sharp curbs on prices of many issues. Salesmen are reported pushing insurance stocks to beat the gun.

State examinations of new companies will be semi-annual instead of every two years. The board will have greater latitude (1) in examining real estate and other assets, and (2) in considering fitness of managements of proposed new insurance companies.

Corporate Working Capital Reaches New Record High

The Securities & Exchange Commission announced last week that corporate current assets outweighed current liabilities by \$98.1-billion—the highest figure on record—at the close of the 1955 first quarter. This was a rise of \$2.3-billion since the 1954 yearend (BW—May 14 '55, p126), and the steepest quarterly increase since 1950.

The rise followed the recent pattern: Current liabilities in the quarter dropped by \$1.7-billion, and current assets edged upward by \$600-million.

As in the two previous quarters, first-quarter 1955 showed a big drop—\$2.2-billion—in federal income tax liabilities of corporations.

The quarter showed better current ratios than any quarter since 1950: Assets covered liabilities 2.07 times. The ratio of cash, governments, and receivables was also healthiest in four years, at 1.32 to 1. But the important ratio of cash and governments to current debt was only 0.55 to 1, against 0.54 to 1 at yearend, indicating that corporations aren't much more "cash liquid" than before.

SEC reports only two industries—retailing and communications—with declines in net working capital. Manufacturing accounted for better than 75% of the total gain. The report shows a continuing pattern of financing the bulk of corporate expansion from internal sources. In the first quarter, about 80% of working capital plus capital expenditures come from depreciation reserves and retained earnings.

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PRODUCTION

Powdered Metals Going to Town

● They're still strong in old and new fields of low-cost production of parts, and getting stronger.

● But the real metallurgical big time may come through uses in atomic equipment and high temperature applications in jet engines.

● In these still untapped fields, ceramets and molybdenum alloys are racing for the top prizes.

Powdered metals, still strong in their traditional low-cost, high-volume field, are moving into another market, equally lush. And still another tremendous market lies just around the corner.

• The old field—consisting of such products as bearings and magnetic cores—is still showing moderate increase.

• But the industry's biggest gains now are in the forming of finished parts for automobiles, calculating machines, and welding rods.

• Ahead lies the untapped market of parts for jet engines, rocket motors, and atomic energy equipment.

• Spurt—Ever since World War II, engineers who wanted to pinch pennies have been eying powdered metals (BW—Jul. 1 '50, p38). It didn't cost too much to get a press for compacting a powdered recipe, and a sintering furnace to bake "green" parts into finished ones. Savings in this cake-making method can run from 10% to 90% under costlier machining methods.

The slow climb became a steep one; right now powdered metals may break into the metallurgical big time. Shipments of iron powder alone in the first half of 1955 were three times the like 1954 period, the Metal Powder Assn. said last week. The rise was from 1-million lb. to over 3-million lb.

In welding rods—the fastest growing market—first-half use of powders jumped from 360,000 lb. to over 1.5-million lb. As one engineer put it, "The powdered stuff seems to be catching on in the parts that count."

• New Charms—The field in atomic energy and sonic aircraft may prove to be just as big, according to scientists at the recent international conference on powdered metals sponsored by Metallwerk Plansee at Reutte, in Austria. And to the engineers and scientists at the conference, the appeal of the powders lay in their metallurgical character-

istics, not in the old charms of low costs.

Jet engines will run even hotter temperatures as their thrust increases in the next several years. Atomic equipment will have to withstand ever higher heats, and sharper corrosion from the liquids used as coolants.

To resist heat, some powdered metals contain refractory materials that enable them to resist longer before turning fluid. Some parts that have already been made function at 2,900°F, too high for some ordinary metals. In atomic energy jobs, corrosion resistance is the bigger factor; some cheap powdered metals have already been able to replace expensive, pure metals such as nickel.

• Narrowing Down—For the hot spots in turbines, powdered metals have narrowed down to two choices. One of them, ceramets—combinations of ceramics and metals—are more advanced in development, and are probably closer to use in turbine blades, combustion chambers, and control valves. The other choice is powdered molybdenum alloys, which have plenty of industry supporters.

Both the ceramets and the alloys have a catch. The cermet, precisely because of its ceramic quality, becomes brittle when it gets hot. The molybdenum alloys can take the heat, but they tend to break down metallurgically when exposed to the oxygen in the air.

• Ceramets—To gain strength, ceramets are now being made from combinations of metals. This creates the difficulty that with plural ingredients, there is a vast number of possible combinations and proportions—perhaps too many to be researched.

For the engineers at the Reutte meeting, the favorite was a cermet made from titanium carbide. The cermet powders are bonded with cobalt or nickel alloys containing secondary metals such as chromium. Where ti-

tanium carbide itself has a strength of only 37 tons psi., the added alloys boost strength to 140 tons.

There's still one flaw in the carbides: They can't resist thermal shock. That can be critical in the blades of a jet turbine, which can go from red hot to stone cold in a few minutes. To beat thermal shock, you have to control the microstructure of the alloy.

• Alloys—As for the brittleness of ceramets, this will soon be licked, according to Dr. Paul Schwarzkopf, president of Metallwerk Plansee and of American Electro Metal Corp., Yonkers, N. Y. But there's an idea around that the molybdenum alloys may beat them to the punch.

A protective coating is all that's needed to keep molybdenum alloys from oxidizing at high temperatures. Some companies are developing ceramic-type coatings for molybdenum parts, big and small. If one really worked it could make molybdenum superior to all of the current ceramets. But coatings have some dangers. On a turbine blade, one might chip, allowing oxygen to get in at the base metal and ruin the blade.

Some molybdenum alloys are already getting a try in applications where they don't need coatings: in high vacuum melting furnaces, and for rocket nozzles. In those jobs, the combustion gases are chemically "neutral" and won't bother the oxygen-sensitive molybdenum.

• Shielding—in atomic energy, shielding is one of the big outlets for powdered metals. To start with, the shielding properties of a metal depend on its density. In powdered metals you get that advantage by compacting the powders under high pressure, and sintering them afterwards. One alloy of tungsten, copper, and nickel has a density nearly twice that of lead.

In atomic equipment that needs corrosion resistance instead of high strength, powdered metals consisting of boride compounds of titanium, zirconium, and chrome are being used. They are going into pump parts, and shielding for submerged instruments where liquid metals are used as coolants.

Size has been a limitation with these metals. Because of their hardness, the powders require big, high-powered presses to produce even small parts. Now the borides are being developed as coatings for bigger parts made from standard metals. With a coating that's thick enough, the parts can resist the usual corrosion.



changing America's eating habits...

American eating habits are undergoing a drastic change. Gone is the traditional table groaning under a family meal that took hours, perhaps days to prepare. Its place has been taken by the easy-to-prepare and serve, "heat 'n eat" meals that come packaged in an aluminum tray, which serves as both the heating container and the platter on which the meal is served and eaten. Not only does the "package" save wear and tear and time in preparing the meal, but eliminates dishwashing, since the aluminum container can be tossed away after the meal.

again it's



Engineering, Design and Plant
Construction: Chemical, food, oil, gas and other industries; A.E.C., Chemical Corps, engineers

Castings: Heavy type steel and alloy castings; high alloy for resistance to extremes of temperature, corrosion, abrasion

Process Equipment: Evaporators, dryers, welded pressure vessels and digesters

Grating: Open steel flooring

Bulls and Rolling Mills, for Steel and Other Metals: Rolling mills, mill driven, shears, special equipment; rolling open hearth equipment, including water cooled furnace doors, frames, reversing valves, dolomite machines and other auxiliaries

Piping and Sprinkler Systems: Pressure piping and automatic fire protection systems for chemical and power plants, steel mills, oil refineries and for process industry generally

The revolution in American eating habits was made possible in a large way by aluminum rolling mills designed by Blaw-Knox engineers, manufactured in a Blaw-Knox plant. In 1954, over 153 million pounds of aluminum foil were shipped by eleven producers and most of it was made on Blaw-Knox rolling mills.

This is another of the many Blaw-Knox engineering achievements that increase productivity, lower costs, and add to the joys of living. The list below is an indication of the broad scope of Blaw-Knox activities.

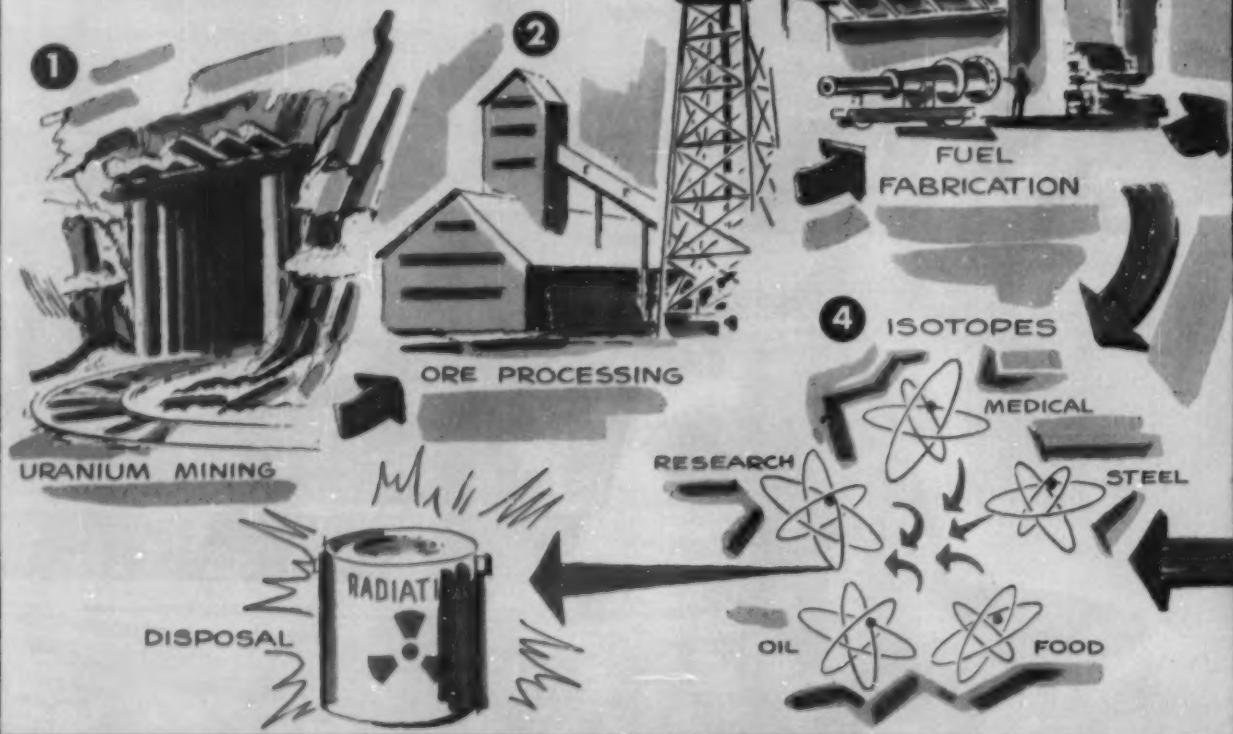
BLAW-KNOX COMPANY
2104 Farmers Bank Building / Pittsburgh 22, Penna.

Construction Equipment: Road building black-top and concrete pavers, spreaders, finishers, sub graders, rollers, truck-mixers, road rails and aggregate concrete mixing equipment; heavy forms (for subways, tunnels, dams); clamshell buckets

Towers: Radio, television, microwave, power transmission

Ordnance: Anti-aircraft gun mounts, armor castings for tanks

The atomic energy industry faces a problem: How to handle dangerous atomic products and wastes formed in the operations shown below.



1 MINING uranium ore has no special hazards. It can make a Geiger counter tick, but won't harm humans.

2 PROCESSING and concentrating is safe, too. It's just like handling ordinary ores and minerals.

3 FABRICATION turns refined uranium into fuel slugs. They must be kept apart, or they might become an atomic pile.

"Hot Stuff": Big Hurdle for Atom

As the drawings above show, atomic fuel gives industry a new safety problem at nearly every step from ore bed to scrap heap. Until these problems are licked, industry won't be able to reap the full benefits that can come from nuclear energy.

Time for finding solutions to these riddles is running out fast. Nuclear power plants are scheduled for operation in about two years (BW—Feb. 12 '55, p100), but the government won't let anyone push a button so long as there is the slightest hazard to workers or the general public.

• **Harsh Truth**—At this point, safety regulations for operation of reactors are no great problem. On the basis of experience, the Atomic Energy Commission is already codifying safety standards for reactor operators.

Disposal of discarded "hot" equipment and atomic wastes is the stumbling block. AEC is spending nearly \$1-million a year to study this problem. Yet, after nearly 10 years of atom-splitting, AEC is still storing most of its wastes in costly tank farms—too costly to be attractive to industry.

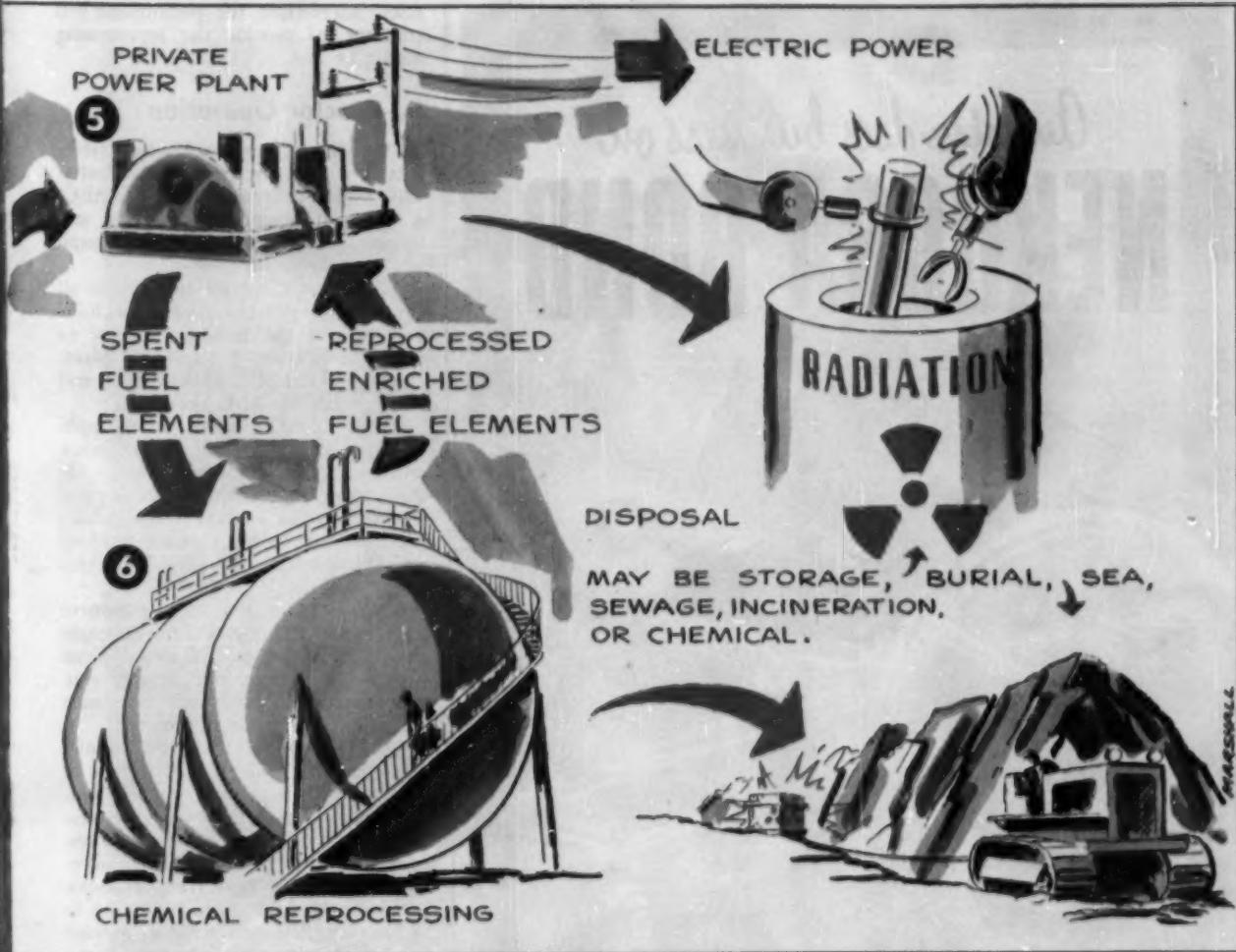
The hard truth is that science has found ways to produce radioactive wastes faster than ways to dispose of them safely and economically.

• **No Precedent**—Generations of safety experts have learned to cope with every hazard of conventional industries: heat, pressures, fumes, flying fragments, whirling wheels and gears. In radioactivity they're dealing with something entirely different—a hazard that is undetectable except with precision instruments, that is deadly in given quantities.

AEC is responsible for finding how much radioactivity an atomic plant can safely dump into a sewer or river, bury in the ground, or release in the air.

A year ago, AEC dumped small quantities of radioactive phosphorus into the Mohawk River downstream from the Knolls Atomic Power Laboratory in New York State. Experts checked to find out how readily the river absorbed this radioactivity, and the results were encouraging to future atomic power operators. In less than one mile of stream travel, the radioactivity of the test samples dropped to no more than ordinary "background" levels—the radiation emitted continuously, day and night, by substances in the earth's crust.

This was, of course, a small-scale demonstration. It doesn't solve the



4 ISOTOPES are the atomic products most widely used by industry. Slightly "hot," they need careful disposal.

5 POWER REACTORS burn the fuel—but not quite all of it. Used slugs must be cooled in water for months.

6 REPROCESSING removes remaining fission products from spent slugs. Shipping requires care, special containers.

Power

problem of what method of disposal would work best for the much larger and hotter wastes that would be thrown off by a booming atomic industry.

I. Danger

Before the used-up atom is ready to go down the drain, many things are done with it, and some of them are dangerous (color spots on drawing).

Mining, concentrating, and refining uranium ore offer no special hazards. In the earth, of course, uranium ore is radioactive enough to make a Geiger counter dance, but nowhere near enough to be harmful to people. In fact, no unusual problem comes up until the refined uranium is fabricated into fuel slugs. Even then it's just a matter of taking care not to stack them

together, else they might become an atomic pile.

• **Hotter and Hotter**—The real danger begins after a fuel unit has been bombarded by neutrons in a reactor's core. From then on, the fuel element is a red-hot item, capable of inflicting death on workers and the public at large.

The most hazardous trip a fuel element makes is from the reactor core to the reprocessing plant. Fuel elements don't burn out in the reactor; they accumulate fission byproducts or they lose their shape. Then they have to be replaced by fresh units. Yet they are far too valuable to discard outright. They go to plants where the fission products are removed chemically.

When they come out of the reactor, the fuel elements are so radioactive that they must sit for months in water baths before they can be moved further. Then they travel, slowly and gently, under rigid rules of the Interstate Commerce Commission that

specify tough, heavy, and expensive containers for shipping. Probably a standard design for railroad cars will be adopted for moving fuel elements—a mass of lead or steel shielding with apertures for inserting the used fuel units—and other special cars for moving liquid wastes.

• **Reprocessing**—The most dangerous job in the whole string of atomic operations is chemical reprocessing of the used fuel. It requires expensive shielding and remote control equipment, and has the toughest problems of waste disposal.

The big bottleneck at this stage of private atomic development is the reluctance of chemical companies to get into this chancy business. AEC is urging companies to make the investment, with the prospect that public utilities and their atomic power plants will keep them busy. So far, the chemical people have shown little interest, pending further work by AEC in developing proc-

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esses. Meanwhile, the government will continue to provide the reprocessing service at cost.

II. Reactor Operation

Operating a reactor involves safety measures that are new to industry. This means close supervision by AEC, a system of supervision, licensing, and inspection that's something like regulation of the airlines.

AEC must check all designs and all construction details, must hold hearings to give the public a chance to object to location of an atomic plant. Operators must be carefully trained and must qualify for AEC licenses.

Above all, AEC insists that an applicant for a construction permit must prove he knows what he's doing. He must show that nothing can happen to endanger the workers or the public. AEC fears that even a minor accident could jeopardize the whole peaceful atom program.

• **Perils**—One of the most expensive capital items in a reactor is the elaborate shielding of the reactor core. Even with shielding, and with remote control equipment, a worker's time near the atomic pile must be limited.

AEC has found that 400 to 600 roentgens of exposure at one time is fatal to half the people exposed; this is called a 50% lethal dose. Because atomic workers may be constantly exposed, and the radiation effects accumulate, AEC limits workers' exposure to 0.3 roentgen per week, adding up to 15.6 roentgens a year with an average number of work weeks.

The public must be protected even more stringently, according to AEC, because it isn't subject to periodic medical checkup as the workers are, and because more than one plant in an area may be pouring forth radioactive particles. So AEC insists on filter systems that limit total air pollution from any plant to one-tenth of the radiation dose permitted for workers.

• **Hot Coolants**—The water, gases, or liquid metals that carry heat from the reactor core to steam boilers in an atomic power plant must be circulated through shielded pipes. Some coolants are highly corrosive, and the lines must be cleaned or replaced often, even when they are made of corrosion-resistant alloys. This is a costly and dangerous operation.

AEC also makes sure that the heat exchanger systems are so designed that radioactivity from the coolant is not transferred to the steam that goes through the turbine blades to turn the electric generator.

AEC will soon publish a list of safety standards to guide prospective operators of reactors. It is reviewing these with state officials who may also play a role



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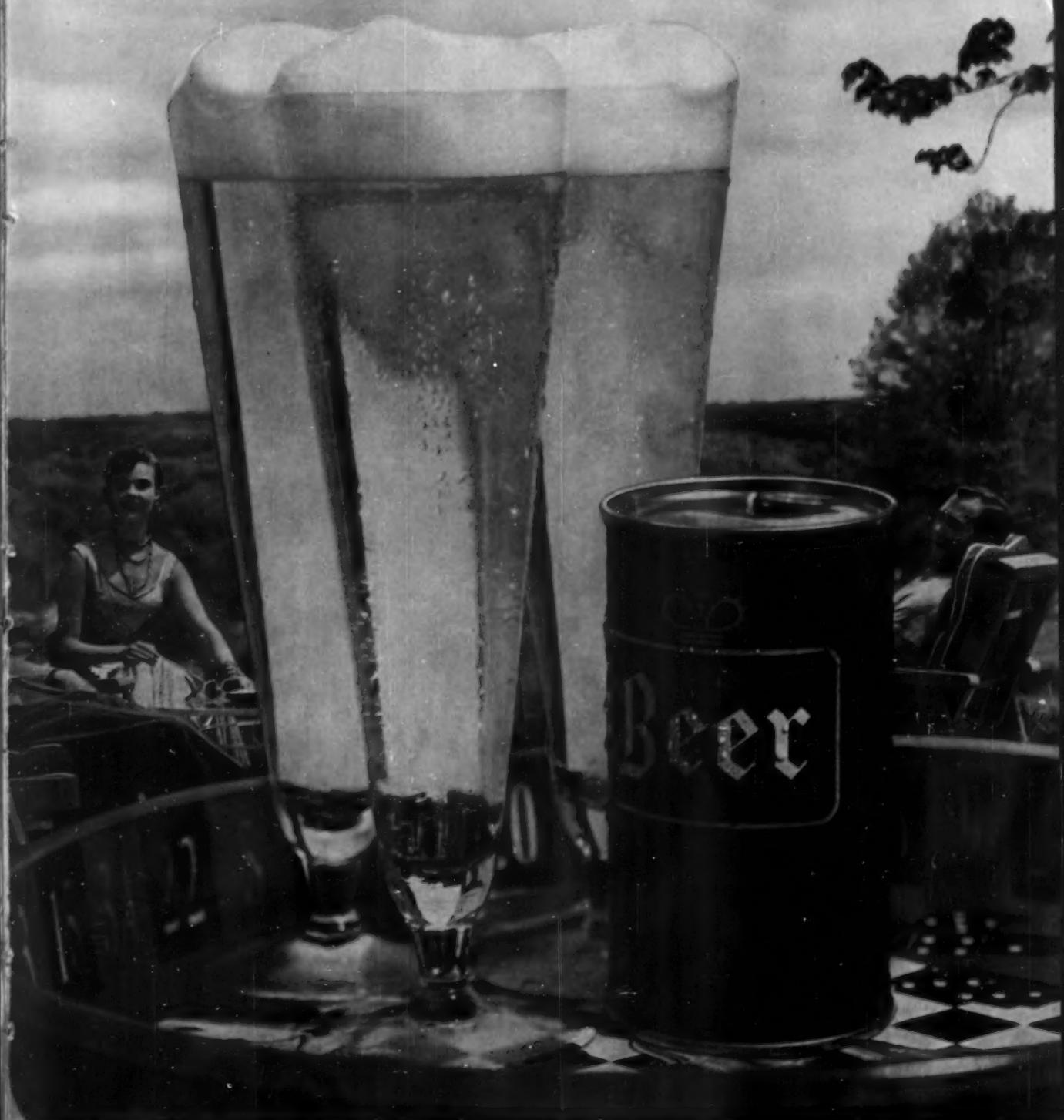
To further extend the shelf life of beer, our Metal Division has given beer cans better seam construction, enamels, soldering fluxes and end-seam compounds. Our Crown Division has not only improved cork-lined crowns, but recently made available the Triple-C Seal.[®] It has a plastic liner, *precision-molded* in place. Squeegee action provided by scientifically placed rings gives a new degree of protection.

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If you have a dinner date tonight, or a party, and the suit you want to wear is soiled . . . don't worry about it, if you have as much as an hour or two. There's probably a quick-service cleaner nearby. And chances are he'll use Perchloroethylene—a relatively new and highly efficient solvent—to make your clothes clean as new in a jiffy.

Today, fast service cleaning is big business in America. The latest count is 4821 shops and the number is continually increasing. Modern living, with its larger wardrobes of light-colored

clothes and improved ideas of cleanliness, has demanded this new industry. The ability of cleaners to furnish speedy service is dependent largely upon Perchloroethylene and on the cleaning equipment designed to handle this solvent.

Perchloroethylene saves you time, and it is kind to your clothes. The dry cleaner likes it too because it enables him to give you superservice, and because its nonflammable qualities enable him to secure more favorable locations for his shops.

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in regulating the new atomic power industry.

III. Waste Disposal

Radioactive wastes come in all three forms of matter: solid, liquid, or gaseous. They include "hot" tools and worn-out equipment, waste materials from reprocessing of fuel elements, sludge deposits when reprocessing chemicals are recaptured, and the air that circulates around an atomic pile or the gas that's created when wastes are burned. Each presents a different problem.

AEC recommends disposing of atomic wastes as soon as possible, while their concentration is highest. Some disposal plans call for "bleeding off" wastes at various points in a plant, so that they may be treated in small quantities.

• **Two Common Methods**—AEC now uses two general approaches to the disposal problem:

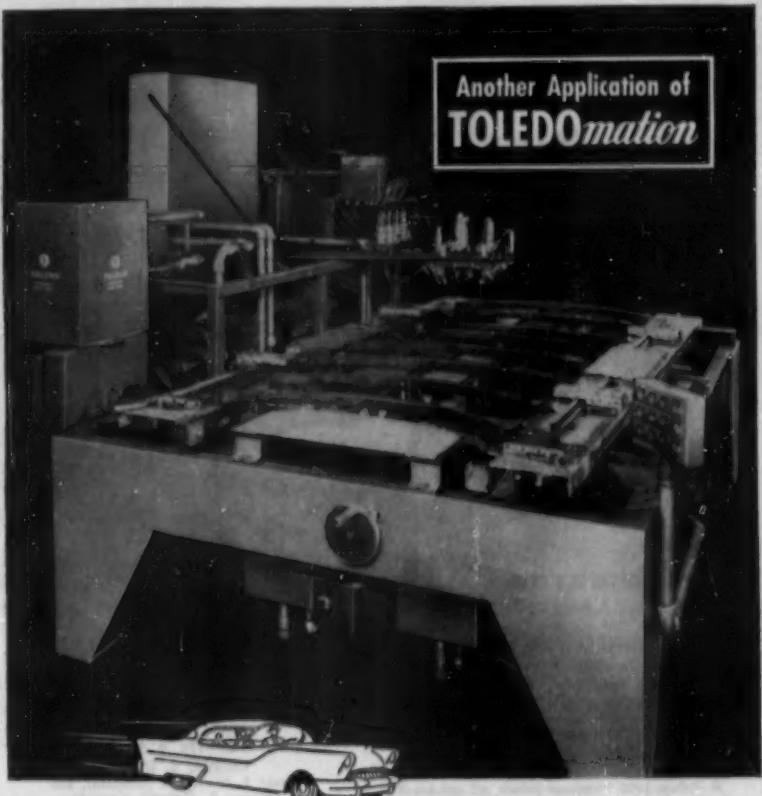
Dilute and disperse. This is the rule for low-level wastes: river water that makes a single trip through a power plant, radiation-contaminated blotters from a laboratory desk, bodies of mice on which radio-isotope tracers have been used. After sewage treatment, these can be dumped into rivers at a rate depending on volume and speed of the river current. Dilution is so effective that river water downstream can still be drawn for drinking, as is done at Oak Ridge, Tenn.

Concentrate and confine. This is the rule for the deadly high-level wastes, such as the chemical sludge from a processing plant. At Hanford, Wash., and Savannah, Ga., AEC puts this waste in concrete or stainless steel tanks underground, where it can be watched for hundreds of years, if necessary. But this is too costly for industry to consider, if any better way of disposal can be found.

• **Burial Question**—Ground burial has one compensating advantage: Discarded material can be recovered if a use is ever found for it. AEC realizes that much more should be known about the atom before irrevocable action is taken to dispose of waste materials. Today's waste may be tomorrow's bonanza.

Burying atomic wastes, however, is far different from burying garbage at a summer camp. The dangerous life of many atomic materials is 100 years or more; in all that time it can be hazardous to anyone who might dig it up. So AEC has chosen only a few burial grounds, preempted forever from any other use, and wastes are shipped long distances from its plants.

In choosing such sites, AEC has to think of all kinds of factors that wouldn't occur to most industrial engineers. It had the U.S. Geological Sur-



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vey study water-table conditions, since radioactive wastes could be drawn off by subterranean streams. The "holding" quality of various earths had to be studied, too; clays are best for "fixing" radioactive particles so they won't be transmitted elsewhere until they're long past the dangerous stage.

• **Burial at Sea**—Another form of burial, dumping at sea, doesn't offer the same chance of recapture, but it may be cheaper. AEC has tried it with small quantities. A National Bureau of Standards advisory committee has drawn up a strict set of specifications for containers, and ocean depth and current conditions have also been prescribed.

If dumping at sea is adopted as a standard method of waste disposal, it will have to be passed to give AEC or some other federal agency some control over the practice. There's no such law now.

• **Incineration**—For small quantities of low-level contamination, such as medical labs, research centers, and industrial plants using radio-isotopes might have, incineration is a promising method of disposal. It entails use of filters capable of screening the tiniest radioactive particles out of the air going up the stack, and it still leaves the problem of disposing of the burned residue.

To increase stack efficiency, equipment can be installed to shoot a hot column of air up to carry the atomic particles higher than they would normally rise. Then they could be more easily dispersed by air currents.

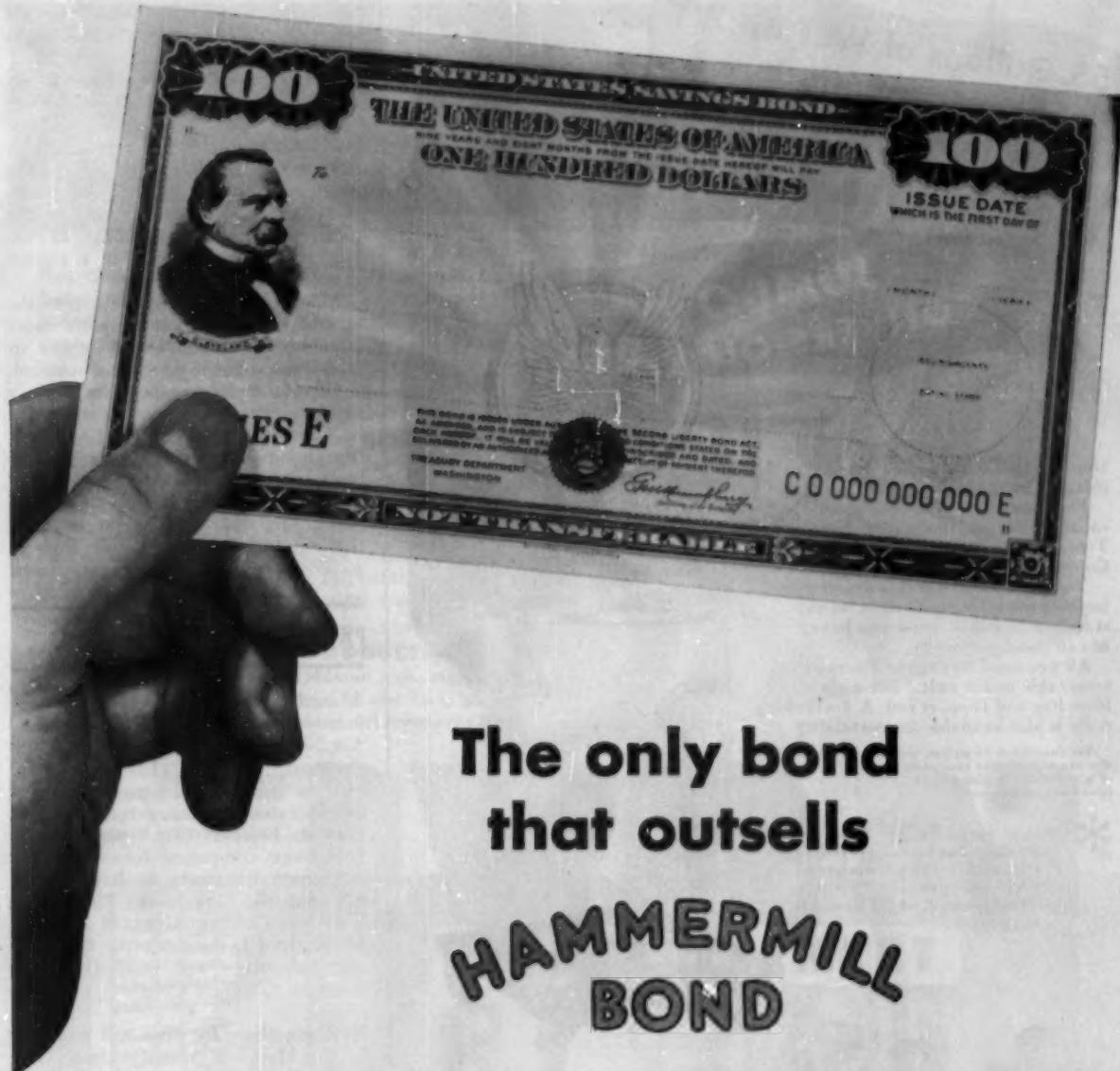
• **The Weather**—In this sort of process, and in daily reactor operation, weather conditions play an important part. So meteorologists, too, are becoming atomic scientists.

Before a reactor site can be chosen, wind currents must be studied to see where they will carry the gases from the stack. AEC officials say they have been presented with blueprints that called for location of disposal stacks upwind from the plant's ventilator intakes. Such misjudgments of the prevailing wind direction must be corrected on the basis of local studies.

IV. Atomic Accidents

AEC has a remarkable safety record — never a death due to radiation since it took over from the old Manhattan District, and only nine employees slightly burned. It has devoted much study to the prevention of accidents, at private plants of the future as well as at its own plants of today. But it knows that accidents can happen.

Therefore, AEC is advising utilities and water works superintendents how long it would take contaminated water to move downstream from a plant where there was an accident, so that water intake valves could be shut off



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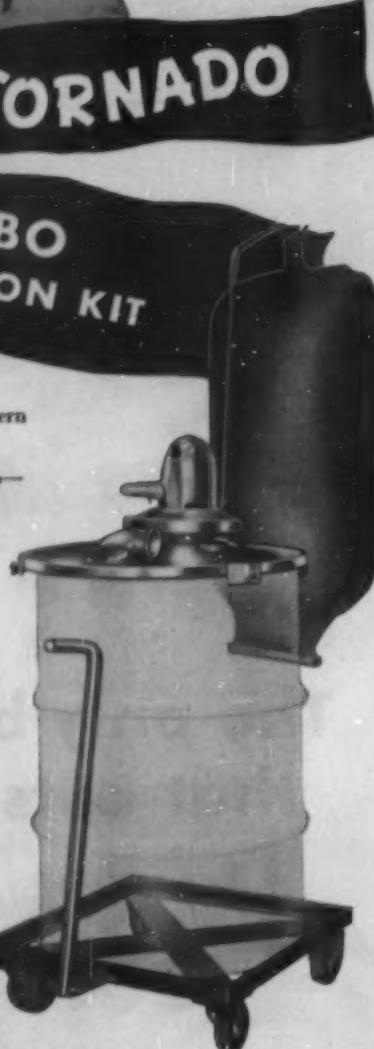
For those users who require a large capacity cleaner—for wet or dry pickup—Tornado now supplies a Jumbo Conversion Kit.

You save plenty on this new feature because the kit mounts right on any standard 55 gallon drum you have, or can purchase locally.

All you need buy is the Tornado removable motor unit,* cover plate, filter bag and support rod. A 4 wheel dolly is also available for portability.

Not results—a 55 gallon wet or dry cleaner at less than the price of a regular standard type commercial cleaner.

* Motor units in $\frac{3}{4}$, 1 or $1\frac{1}{2}$ H.P. can also be converted to (1) Shoulder type vacuum, (2) Air sweeper, (3) Portable electric blower, or (4) Insecticide sprayer.



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BULLETIN 694



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in time. Water users are being briefed on chemical additives that can rid water of radioactive particles that might spill into streams.

• The Dreaded Blowup—Reactor designs are studied to make sure there are enough foolproof and automatic safety devices to prevent a blowup. This back-of-the-mind fear enters into AEC's insistence on the isolation of plants from population centers and on the structural strength of buildings, to contain radioactive material if a reactor should "blow."

When a reactor goes supercritical—or "blows," as atomic experts more often say it—it doesn't explode like an atom bomb, but it goes out of control.

Canada had an experience with a supercritical reactor a few years ago at its Chalk River (Ont.) plant. In that case, however, the damage was surprisingly small, and the cleanup was accomplished years ahead of expectation. AEC, therefore, sees reason to hope that any future private atomic industry accident could also have slight effects.

PRODUCTION BRIEFS

A method of ferrying chemicals, pioneered by Dow Chemical Co. (BW—Apr. 24 '54, p82), is being tried by other chemical producers. Last year Dow used a specially designed chemical freighter to give cheap transportation from its Freeport (Tex.) plant. Now, four more companies have chartered redesigned transports to ferry chemicals from the Gulf to the East Coast. They are: Celanese Corp. of America, Monsanto Chemical Corp., Commercial Solvents Corp., and Columbia Southern Chemical Corp.

New propulsion for ships will be tested by the Maritime Administration. The administration has asked for bids on two gas turbine engines, one to develop 6,000 hp., the other, 12,500 hp. The units will be given a trial in ships from the government's reserve fleet.

"Canned" pumps for radioactive fluids are being manufactured in a new Westinghouse plant, which is said to be the first privately financed plant making reactor parts. The plant contains a "test loop" that can duplicate all pump operating conditions. The loop cost \$400,000, takes up 1,000 sq. ft. of floor space.

Boeing's back in the jet transport race. After running afoul of a Pentagon "military production first" edict (BW—May 14 '55, p62), the company received Air Force O.K. for its plan to produce a civilian version of its jet tanker, KC-135, along with its military model.

LYON 5 TO 1

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- Flat Drawer Files • Folding Chairs • Service Carts • Tool Stands
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- Filing Cabinets • Work Benches • Drawer Units • Tool Trays
- Hanging Cabinets • Bench Drawers • Hopper Bins • Shop Desks

NEW PRODUCTS

Sales Data at a Glance

A British-built cash-handling system makes it possible for a central office to get immediate visual information on sales in any number of locations, no matter how far away.

The system, devised by Rentrax Ltd., uses three basic units: a cash register, a control or "memory" unit that stores information indefinitely, and a consulting unit in the central office. The consulting unit somewhat resembles an elongated inter-office communications unit, with a long screen instead of a speaking device. The keys, instead of connecting with another office, select the information that flashes up on the unit's lighted face.

Rentrax uses standard electrical components and relays. Itemized information can be sent any distance over regular telephone lines, which transmit a series of pulses to the control unit. Thus the system can be used to get data from sales locations or departments in a single store, or from stores throughout a given area.

• **Breakdown**—Each cash register can be fitted with buttons to record as many categories of information as desired.

This sales data will show up on the consulting unit in any desired breakdown: totals for any register, all registers, or any combination of registers, such as a department; or values and numbers of any item sold, either throughout a store or in any area or at any individual point of sale.

Suppose the register is set to accept information on type of transaction—cash, credit, or installment purchase—as well as articles sold. Then, if a customer with a charge account buys a dress, a pair of shoes, and a scarf, the cashier pushes the button on the register that denotes dresses, the one denoting credit transactions, the one for the price of the dress—and does the same for each article.

At any time, the central office can see how much business has been done at one register—or throughout the entire store; how much of it was cash or credit, how many dresses were sold, and so on.

Rentrax actually has two types of cash registers. One records individual sales, and flashes them on a screen at the register. The other, designed for stores selling many small items to a customer at one time, has an adding machine built in that totals the small items.

• **Competition**—Rentrax says its system, which will go into full production "very soon", will compete with a National Cash Register system announced last January (BW—Feb. 5'55, p57). The NCR system also stores information for



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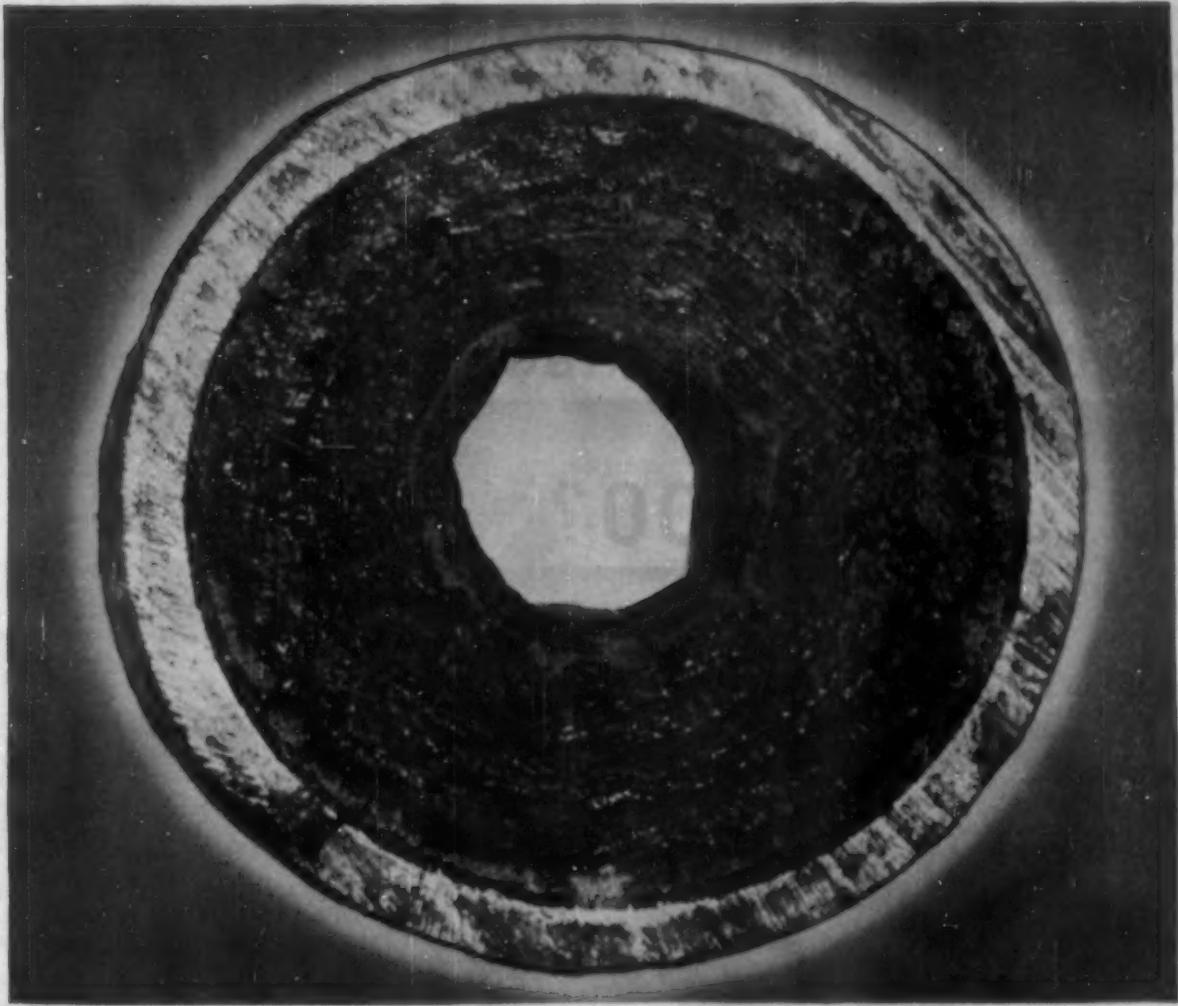
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consulting purposes, but uses an electronic setup with tapes and an electronic computer; transmission of data is done both electronically and by ticker tape.

Right now, Rentrax won't divulge prices, but says its setup is "economical in comparison with all existing systems."

• Source: Rentrax Ltd., 16 Grosvenor Place, London, SW. 1, England.

Portable Power

A new lightweight A. C. power generator that can be mounted on a truck or automobile, and that will produce 10 kw. at 110-120 volts anywhere the vehicle can go is now on the market. Mo-Bil-Ac can be run from standard power takeoffs on trucks, tractors, and other heavy vehicles, and will also attach to the regular fan drive on an automobile.

The manufacturer believes that this small unit will extend the use of a.c.-powered equipment (spray equipment, post hole diggers, electric saws, portable machine shops), to places where power supply previously has been a problem.

The equipment consists of an a.c. generator and a separately mounted voltage regulator that feeds a voltage back to the generator. The manufacturer says that this feed-back improves operation under varying motor conditions.

The Mo-Bil-Ac weighs 78 lb. It will sell for \$350. Mo-Bil-Ac will be sold to manufacturers of original equipment only.

• Source: Star-Kimble Motor Div., Michele Printing Press & Mfg. Co., 200 Bloomfield Ave., Bloomfield, N. J.

NEW PRODUCTS BRIEFS

New welding fluxes for alloy steels are being made by Lincoln Electric Co., Cleveland 17. Using chromium, molybdenum, vanadium, and nickel, the company will mix fluxes to order for special jobs.

An auto hoist picks up a car and spins it half-way around. Its manufacturer, Metallizing Co. of America, 3520 W. Carroll Ave., Chicago 24, says the electrically operated Kar-Jig makes repair jobs easier for mechanics.

Semi-trailers can be shifted back and forth on tractor mountings through a hydraulically powered device invented by C. W. Bell, Sheboygan, Wis. This enables truckers to vary length and weight distribution in accordance with various state highway laws.



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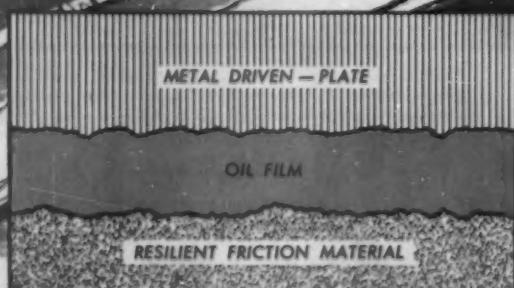
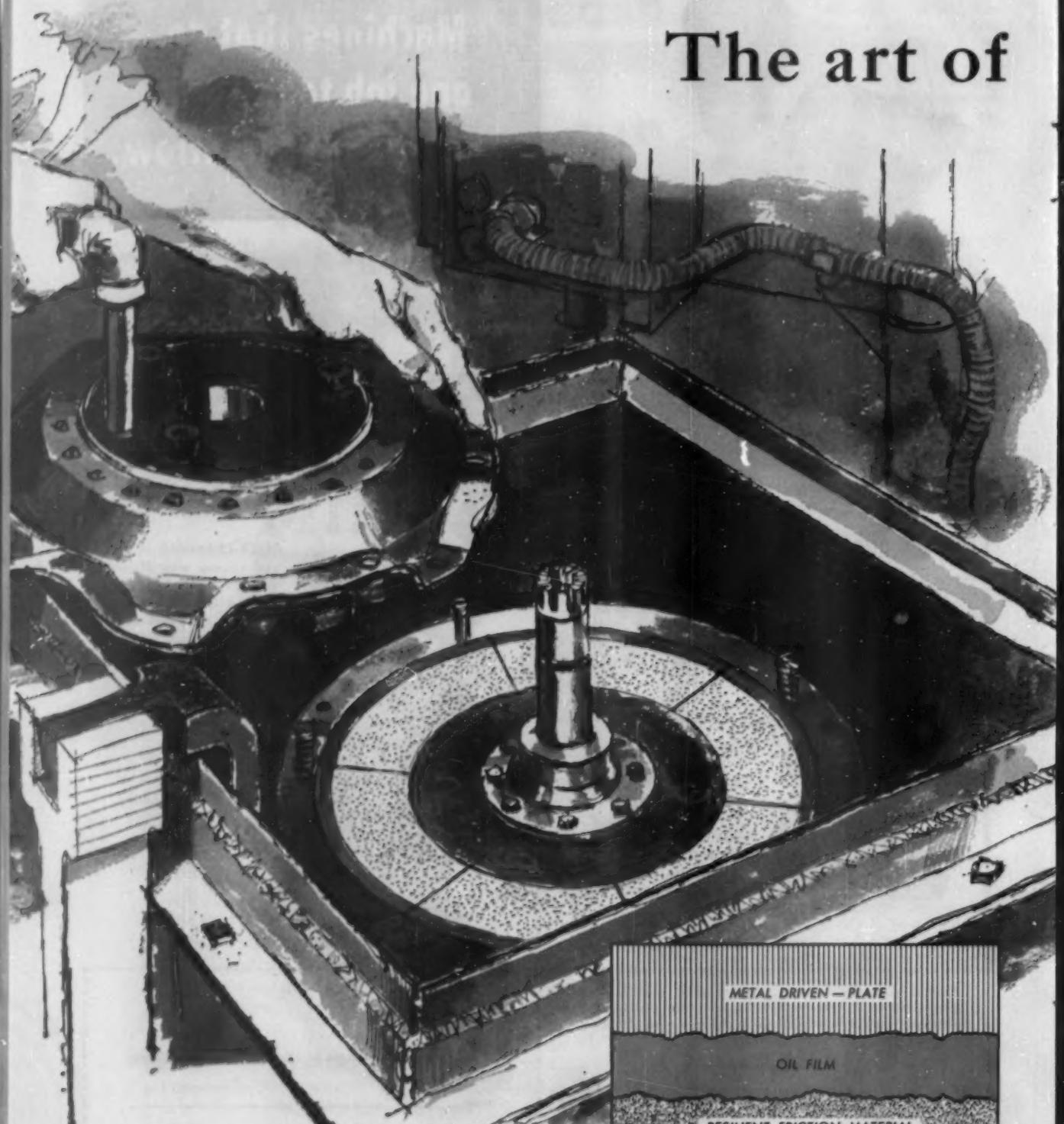
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The art of



Experimental friction materials get a work-out in this test clutch at the Armstrong Research and Development Center. All conditions—temperature, pressure, and speed—are precisely controlled. Automatic recorders chart the operating characteristics of facings during each engagement cycle.

In **wet clutches**, the driving and driven surfaces are separated by an oil film when disengaged. The film thins as engagement pressure forces the surfaces into contact. After a brief period of slip, the surfaces grip and the clutch becomes fully engaged as relative movement ends.

making friction behave

*How research men control the grip of friction materials
to help cars, appliances run smoother*

Shifting gears automatically in an automobile . . . changing from "rinse" to "spin-dry" in a washer . . . rapid-fire starting and stopping of an industrial sewing machine — all depend on how well a thin sheet of friction material in a clutch does its work.

Although the job of the clutch — to engage and disengage the driving force — is nearly always the same, the way it engages may vary considerably.

With an industrial sewing machine, for example, the operator runs a seam at high speed, stops on a stroke of the needle, turns the fabric, and races down another seam. Here, research men found that a cork clutch facing material, operated "dry," will take hold fast enough to take the machine from a dead stop to full speed in a fraction of a second.

But the same kind of fast-acting dry clutch in an automobile would produce too much shock for both car and rider. And if to avoid this shock the clutch plates were allowed to slip during engagement, the heat generated might burn up the facing material.

Smooth, gradual engagements are commonplace, however, in the clutches of automatic transmissions. Here cork facings are operated "wet," that is, immersed in oil. Surprisingly, cork keeps much of its high friction even when flooded with the same oil that lubricates the transmission. In fact, oil makes gradual engagements practical by carrying off much of the heat that's generated.

Changing the shape of the plates in a wet clutch produces different kinds of engagement, too. A flat plate with radial slots, for example, engages faster than a plain flat plate. On the other hand, a "waved" plate engages more slowly.

Although there are many such mechanical techniques, the art of making friction behave also depends a great deal on the compounding of the friction material itself. The research worker faces almost limitless possible combinations of cork, rubber, resins, and fibers. Even small changes in these ingredients or their proportions may make significant differences in clutch performance.

As a result, developing a new material with specific frictional properties is a job that takes a large measure of resourcefulness and imagination. The only criterion for success, however, is found in the very practical question, "Does it work?"

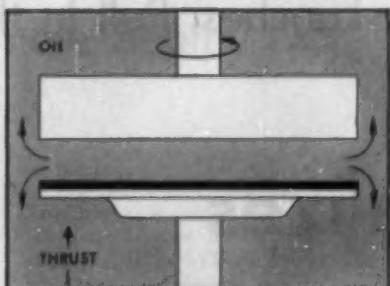
If you make or design clutches for automobiles, machine tools, business machines, or the like, send us the details. We may be able to suggest ways for you to lower costs or improve performance with Armstrong resilient friction materials. And for data on designing with cork facings, write for the booklet, "Armstrong Resilient Friction Materials," Armstrong Cork Company, Industrial Division, 8207 Indian Road, Lancaster, Pa.



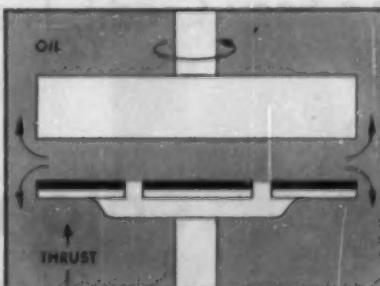
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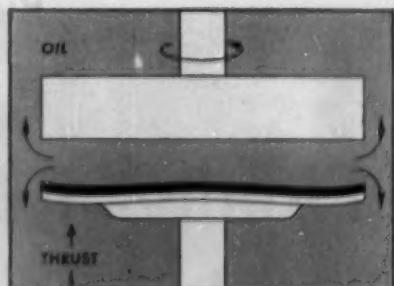
adhesives . . . cork compositions . . . cork-and-rubber . . . felt papers . . . friction materials



Changes in clutch plate design permit designers to manipulate the oil film and control the engagement period. It takes a flat plate, for example, a relatively long time to squeeze away the oil film and become fully engaged.



Radial slots in a flat clutch plate tend to create short engagement periods, even with low engagement pressures. The slots apparently set up a "squeegee" action that wipes away the film of oil, hastening full contact.



A "waved" plate maintains the oil film much longer during engaging period when the pressure is being applied. When full pressure is finally developed, the plate flattens to make full contact, and engagement is completed.

MARKETING



Lunch on Rich's is one of the lures that brings Mrs. Christopher Kastner (left) and Mrs. Claude Hiers of Rome, Ga., to Atlanta.

Rich's Easy Credit, Free Lunches, Pull In the

Finally—Rich's Regionalizes With a New Chain of Stores

(Story continues on next page)



Location is a secondary consideration in Rich's eyes to right service, prices, goods. Rich's Crystal Bridge is in background.

Whole South

New store in Knoxville—shown in model—will open in place of old S. H. George store next month. This is the first unit in what Rich's management foresees as a regional chain of department stores in the South.





EASY CREDIT is another lure. Mrs. Hiers presents her Charga-Plate to clerk. She received it in mail.

Not long ago, Ben Gordon, executive vice-president and general manager of Rich's department store in Atlanta, gave a talk before a group in a town in southern Florida. As customary, people came up afterwards to chat—but not, as it turned out, about the subject at hand. Rather they wanted to talk about the goods on display on Rich's Crystal Bridge, about the new styles in the Forsyth Street windows, about the sales then in progress.

Gordon, though well aware of the store's extraordinary regional pulling power, was frankly startled. He had no idea that so many people in a town 600 miles away from Atlanta could possibly be steady customers of the store.

Rich's itself has always been a little more modest in its claims. It figures its trading area as extending about 100 miles from Atlanta—a healthy slice of territory in any merchandiser's eyes—but it concedes that its influence, one way or another, extends through almost the whole South.

• **Policymaker**—The realization that it has this magnetism has shaped a new policy of expansion for the store. Last year, it acquired by merger S. H. George Co., an old-line department store in

Knoxville, Tenn., 200 miles from Atlanta, with a volume at the time of the deal of about \$4-million a year. Next month, Rich's will open a new version of the store in the form of a sleek, \$8-million building with interiors by industrial designer Raymond Loewy (pictures, above).

This is just the first step. The triumvirate that runs Rich's (cover)—Frank H. Neely, chairman of the board; Richard H. Rich, president, and Ben Gordon—has decided to capitalize on its position by creating a regional chain of department stores. Rich's already has been in discussion with at least one other big Southern department store, and it is an even bet that there will be a third store in the Rich chain in the near future.

• **Bucking the Trend**—Rich's move is a little unconventional in the sense that the big store leap-frogged 200 miles without having first bothered to secure its base, as it were, by establishing branches in the vicinity of Atlanta. In this, as in many other things, Rich's does not follow traditional merchandising patterns. Its heresies include an offhand attitude towards downtown location, extremely lenient credit poli-

GOODWILL POLICY works. The ladies from Rome, Ga., go home from Rich's laden with purchases.

(Story starts on page 90)

cies, and tolerance almost to a fault about returned goods.

This willingness to move boldly against trends, together with the store's record for experimenting with new ideas, is one reason the store is so highly regarded by merchandising people around the country. Rich's might be said to be the department store man's department store.

It also helps explain the store's \$60-million volume last year, which makes it the biggest store in the entire southern part of the nation from coast to coast. Add in another \$6-million from its first year's operation of George's. This record gives Rich's a sanguine view of the future. Sales in Atlanta are expected to hit \$70-million this year, \$75-million in two or three years. As for George's, it is expected to reach \$10-million or \$12-million the first year in the new building, and is designed for a business of some \$25-million.

I. Historic Policies

Rich's unconventional story started with Morris Rich (portrait in background, cover), an Austrian immigrant who arrived, carpetbag in hand, when

Atlanta was still rising from the ashes left by Gen. Sherman. Rich set up a drygoods store on the Five Points at the foot of Peachtree Street, and within a few years had prospered enough to bring his brothers into the business.

Up until about 10 years ago, Dick Rich and Neely held what was probably the bulk of the stock. But, in the last 10 years, the stock has been distributed nationally over-the-counter, until now the spread is wide. It is currently listed at 19½ bid, 21½ asked, with 2-million shares outstanding. Last May, the stock was split two-for-one, to improve its marketability and broaden the base of ownership. Branches of the Rich family, the Neely family, and Gordon still are large holders, however.

The store has stayed within a 5-min. walk of the Five Points ever since, though it was apparent as far back as 50 years ago that the commercial district was moving northwards from this point. The company knew this in 1907, when it moved into its first big building on Whitehall Street, a block or so from its present location, but it moved against the tide anyway. The theory then as now, so far as Rich's is concerned, is that if you offer the right goods, the right service, and the right prices, people will come and find you.

Today it is a little off the main drag, in an industrial and warehouse area, whereas its chief competition in Atlanta—the Davison-Paxson store (one of the R. H. Macy & Co. chain)—is right in the heart of things, on Peachtree Street. But this doesn't bother Rich's, which since World War II has sunk about \$8-million into its plant, adding among other things a Store for Homes across the street (connected with the main store by the Crystal Bridge), a \$2-million Store for Men, a parking garage.

• Easy Credit—The easy credit policy also began early in the store's history—indeed, the store was virtually founded on easy credit. The South being what it was, most of the early customers had to get their money out of cotton or some other crop before they could pay their bills. The store simply had to wait. Rich's decided to turn harsh necessity into a virtue by making it declared policy that it was willing to wait.

Credit and charge accounts at Rich's are two of the easiest things to get. There's little fuss about filling out forms and being checked back through extensive records. Newcomers to the area are greeted by a personal letter from Dick Rich, inviting them to lunch in the Magnolia Room at the store and enclosing already validated Charge-Plates.

When there's a past due problem, the customer gets a friendly personal



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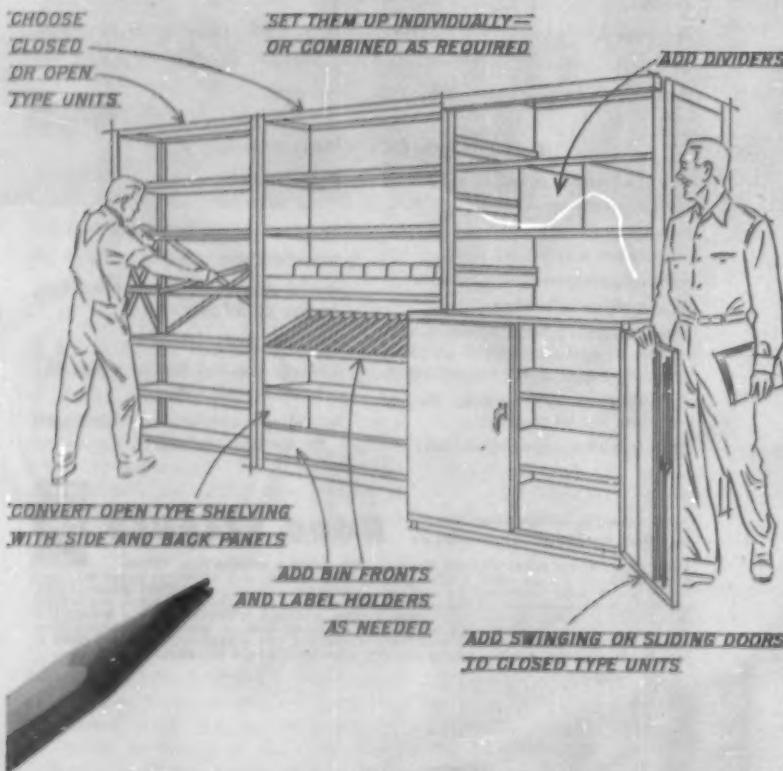
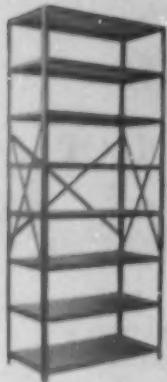
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letter—never a form letter or canned request for payment—from one of the company executives. The company shows its sympathy. The customer is told that Rich's knows that illness, loss of job, and that sort of thing can make it tough to pay bills. Would the customer like to drop by for a talk to see how Rich's could be of some assistance?

As a direct consequence, Rich's has perhaps the slowest collection rate of any department store in the country, but by the same token its losses are very low. Rich's almost never asks anyone to pay up a charge account, which means that customers carry substantial balances from month to month. The result is a continuing business from an "on the hook" customer and a total sales volume that comes two-thirds from charge accounts—which is a very high percentage for any department store.

- Money Back—The store has also chalked up another statistical record—it has an unusually high ratio of merchandise returns, which run about 12% of sales annually. Most retailers wince when the rate gets that high.

Rich's dogma requires money back if the customer isn't satisfied. And the shopper doesn't have to go through an adjustment or complaint department. She just walks up to a salesclerk, speaks her piece, gets the adjustment right then and there.

The store naturally finds that it takes back goods occasionally that were never purchased at Rich's, or that have languished on a top shelf for several years. But, says Dick Rich, the over-all average is good enough so that Rich's still has firm faith in its customers' integrity.

There are other reasons for the store's success. For one thing, it appeals to all price and income levels with departments that range from the bargain basement to couturier shops. For another, it competes on price with all comers, including discount houses. The lady shoppers from Rome, Ga. (pictures, page 92), for example, found that they could buy a General Electric air conditioner at Rich's for less money than they could by having their husbands, who are GE employees, get it on a company discount.

II. The Regional Store

Rich's wide regional spread—it has steady customers from Georgia, South Carolina, North Carolina, Tennessee, and Alabama—is due to a number of things.

Store policy has encouraged it. One of the store's most effective devices has been Rich's Days, when special trains bring in customers for a day's shopping trip (the store provides box



V Coldspot

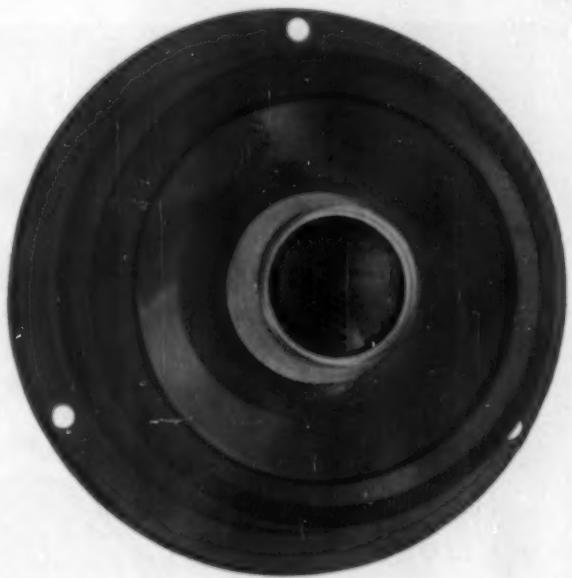
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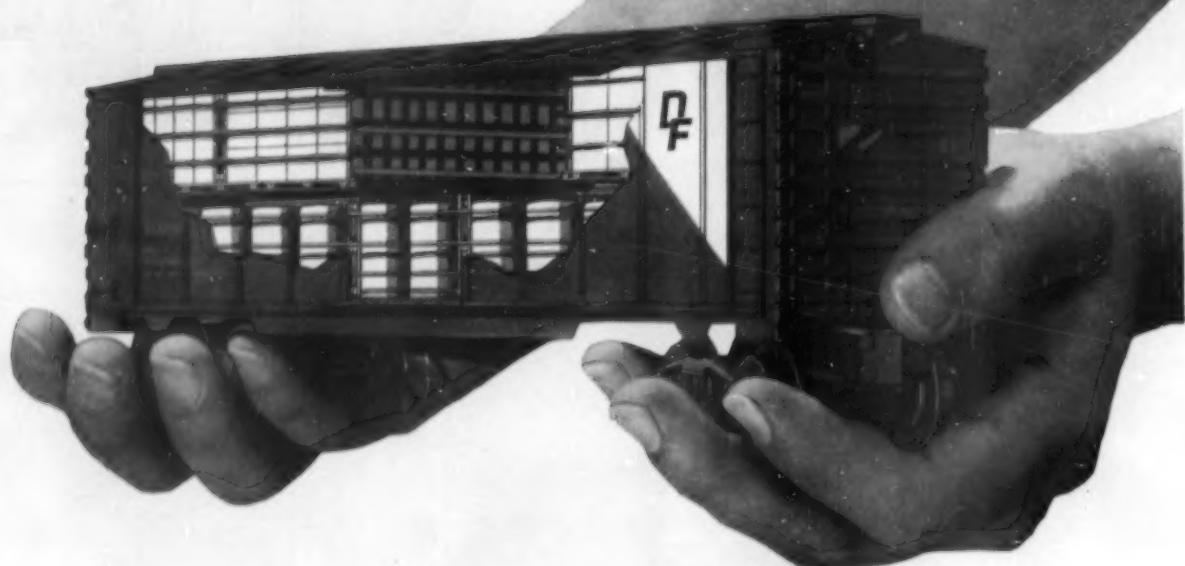
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lunches, plus favors for the ladies). Rich's also advertises regionally.

Another major factor, is the fact that it is located in Atlanta, and Atlanta is not only the biggest city but also the hub of the whole system. It draws a steady stream of shoppers, visitors, sightseers, conventioners from all over. As a result, Rich's looks on itself as an expert in the buying habits not only of three-quarters of a million people in metropolitan Atlanta, but also for many millions south of Virginia and east of the Mississippi River.

• **Deciding Factor**—This thought played a big part when Rich's began to consider expansion seriously. Atlanta, along with other big cities, had blossomed. It gained over a quarter of a million population in the last decade. At the same time, Rich's had reached a profit position where it could afford to think about expansion. But where?

One possibility was the suburban branch. Rich's could follow the lead of other big U.S. stores by establishing a smaller satellite store in the suburbs. But the triumvirate running Rich's rejected this idea on several grounds, the main one being that Rich's management didn't like the idea of a small store without adequate depth and variety of stock—the common fault of branch stores.

• **Pattern**—The trio set up criteria for any store Rich's would build or acquire. It must, first of all, be big enough to appeal to all economic levels. This meant an inventory of around \$3-million, a plant of a quarter of a million square feet. To support this in turn required a market of close to a quarter of a million within, say, 15 minutes' driving time.

The Atlanta suburbs hadn't grown enough to support such a store, nor had such Georgia cities as Macon and Athens. So Rich's went hunting through the South for cities that were growing but whose merchandising facilities hadn't kept pace.

III. Test Case

Rich's found just what it wanted in S. H. George & Co.—a 50-year-old store with 18,000 charge customers in a city of 347,000 that had on its fringes Alcoa, Oak Ridge, and other growing towns. Better yet, the company was held in a trust that had a time limit on it that was about to expire. Rich's stepped in with a share-for-share merger offer and got the store. After Aug. 29, it will cease to carry the George name, and will be known as Rich's.

First problem was a new building, the old one being inadequate and rundown. This entailed a new location, since a bigger building couldn't fit on the site.

In picking a new spot, Rich's was

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in heavy industry



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Company _____

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"... management can get the store's inventory at any time just by picking up the phone . . ."

RICH'S starts on p. 90

willing to go to the fringe of the main downtown district, on the theory that accessibility and parking that it supplied are as important as a traffic location. The new building will be a five-story, full-block affair, with some 900 employees as against the old plant's 350.

• **Family Ties**—The new Knoxville store will be largely autonomous, as is customary in department store chains. In one respect, however, the relationship between George's and headquarters will be a little closer than is usual: the four merchandising vice-presidents at Rich's will also function as heads of merchandising at George's. They will function with two complete sets of buyers, one for each store, under them.

The job of recruiting the enlarged staff for George's ended with a staff of executives that is undoubtedly one of the youngest in the business. Average age: 32. That fits right in with the Atlanta Rich's, where the younger executives are taking hold.

IV. The Management

Frank H. Neely, 71-year-old chairman of the board, is beginning to shift control of the company more and more into the hands of Pres. Dick Rich and Executive Vice-Pres. Ben Gordon. Nevertheless, Neely is still very much in the driver's seat. He's in on all the planning and passes on all decisions that the executive staff makes.

• **Engineer**—Neely (Georgia Tech '04) has never got too far away from engineering, even as he progressed up the ladder in a retail establishment. He was brought into the store by Walter Rich, son of the founder, as secretary and general manager.

Starting in the early 1920s, Neely began converting Rich's materials handling system into something approaching automation, a development that has earned Rich's fame in retail circles. A close personal friend of the late Laurence Gant, who developed engineering principles for management, Neely carried some of Gant's thinking into Rich's, with particular effect as far as inventory control goes.

Neely and his associates figured that if any good industrial plant could tell at any given time how much stock was carried in inventory and how much in processing, a retail store ought to be able to get the same kind of data. To get it, they first abandoned the old

John A. Lauck, vice president-engineering of PESCO, tells how:

Pesco put on the pressure to improve pump performance

"High pressure has always been a problem for conventional gear-type hydraulic pumps . . . it causes internal leakage which cuts down efficiency and accelerates wear which shortens pump life.

"This simplified diagram shows why high pressure doesn't restrict the efficient operation of Pesco Hydraulic Pumps. You can see how we use pump discharge pressure to maintain minimum end clearance between gears and bearings. We call this 'Pressure Loading' . . . and it makes possible new pump performance and maximum volumetric efficiency throughout a long service life."

Today, Pesco "Pressure Loaded" Hydraulic Pumps serve industry in many, varied applications at pressures to 4,000 pounds per square inch. And Pesco "Pressure Loaded" Fuel Pumps meet the ever-higher pressures demanded by jet aircraft.

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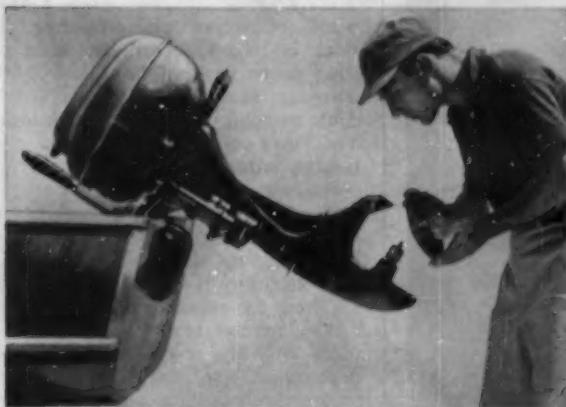
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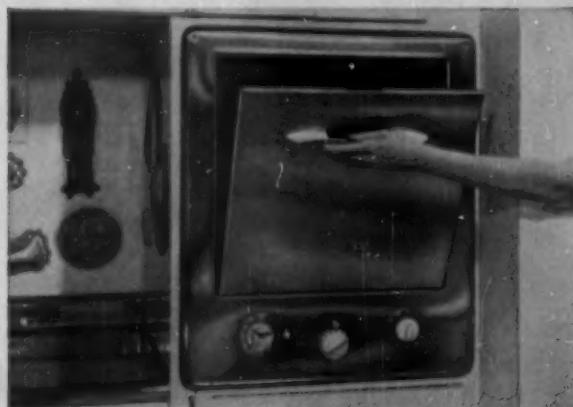
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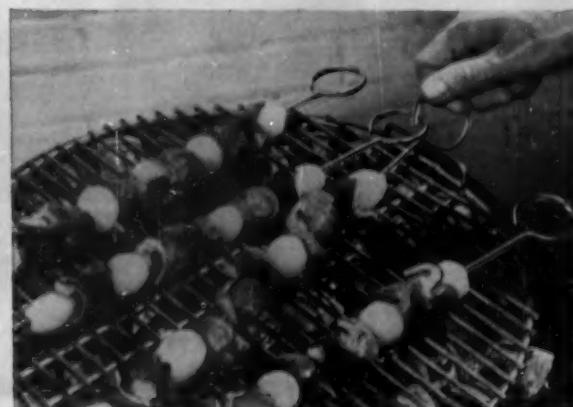
HARD AND TOUGH. Armco Stainless Steel is strong, solid, durable and corrosion resistant. In propeller shafts, for example, it gives years of service. Stainless can take all the strain an outboard motor gives.



ADDS MODERN TONE. In-wall ovens are one of the newest products made of long-lasting Armco Stainless Steel. This handsome metal gives a modern appearance to all kinds of household products.



IT'S HANDSOME... EASY TO CLEAN. The dense, smooth surface of stainless steel washes quickly. Never needs hard scouring. It doesn't tarnish, doesn't rust. And the luster lasts as long as the metal.



HEAT DOESN'T DAMAGE IT. Armco Stainless is wonderful for barbecue grills and utensils, for example. Withstands severe heat. Never imparts a metallic taste. It's sanitary, and easy to keep clean.

What properties are you looking for in a metal for your products? Very likely one of Armco's many grades of Stainless Steel will be just what you want.

Fill in the handy coupon, and we'll send you complete information about the type of Armco Stainless Steel that best suits your needs.

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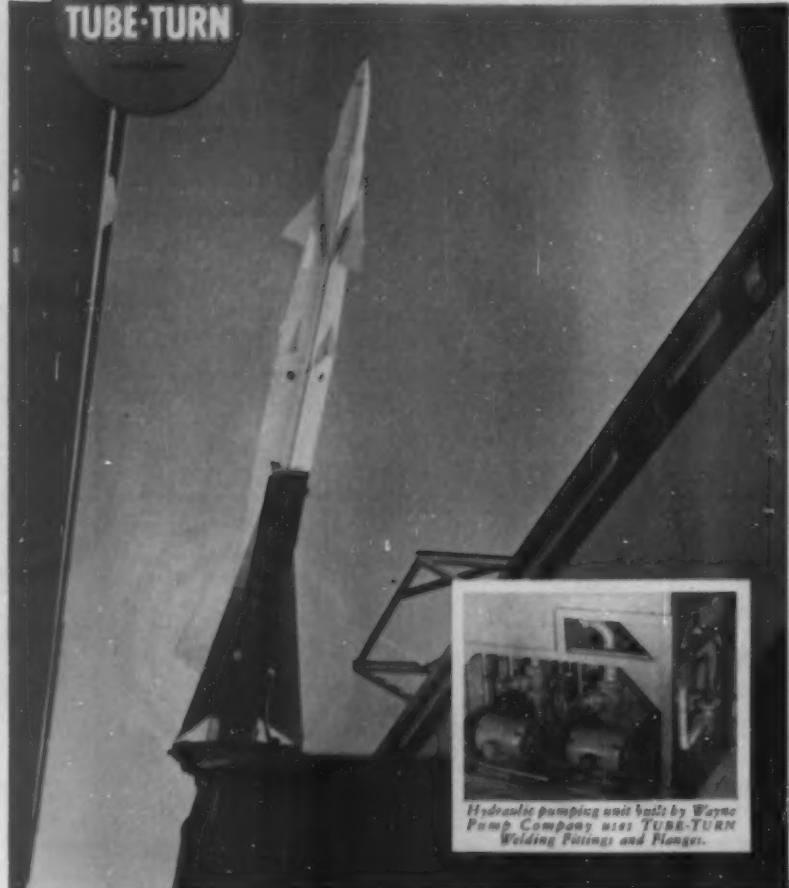


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Welded piping gives Nike a lift

Nike, the Army's guided missile which now stands guard over more than 15 American cities, is raised quickly from underground storage to its launching dock by hydraulic power. Here surely, dependability is paramount. Thus the pumping units that serve the hydraulic lifts employ leakproof welded piping systems with **TUBE-TURN*** Welding Fittings used to make directional changes.

In many defense items, reliability must be demanded regardless of cost. But here is a pleasant taxpayer's surprise. All factors considered, welded piping costs less than substitutes—it's more efficient, takes less space, is permanently leakproof. In your piping get the most for your money—specify and buy **TUBE-TURN** Welding Fittings and Flanges.

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*"TUBE-TURN" and "TT" Reg. U. S. Pat. Off.

**"... none of the executives
is tipping his hand on where
Rich's will look next . . ."**

RICH'S starts on p. 90

retailing custom of accounting for stock by broad departments, and instead broke it down into some 2,000 narrower classifications, further broken down by color, style, size, and so forth. The buyer and billing clerk make continuing entries—number on hand, on order, sold.

As a result, management can get the store's inventory at any given time just by picking up the phone. This running inventory never varies more than 1% from the actual inventory position.

This interest of Neely's, which has made Rich's a recognized pioneer in department store systems, has led to recent experimentation with electronic devices (BW—Feb. 5'55, p.57).

• **Electronic-Minded** — Gordon, who was handpicked by Neely, is also a Georgia Tech man, an industrial engineer graduate, and as keen about electronic systems as is Neely. Gordon sees the day when a clerk will make a sale and take an IBM card price-tag to an electronic eye, which will pick up the code, record the sale, and relay all the needed inventory, price, and sales data to a central brain, which will also handle billing and bookkeeping.

This is one reason why the Rich foundation gave Georgia Tech close to \$100,000 last year for the establishment of a computer centered on the campus. Gordon looks forward to the day when Rich's and other Southern companies can test such theories on the Tech campus.

• **Crown Prince**—The remaining member of the trio, Dick Rich, is the man who personifies Rich's to Atlantans. Grandson of the founder, his main job is making speeches, greeting the public, serving on boards, talking to the investors. Fifty-four years old, he has worked for the store 31 years and is a merchandiser in his own right even though he gets little chance nowadays to ply the trade.

Naturally, none of the executives is tipping his hand on where Rich's will look next. But Nashville, Tenn., is high on the list. For more than a year the company negotiated with a well-known old store there, Cain-Sloan, on a proposed merger deal that fell through this spring (BW—May 14'55, p.118). However, the feeling is that the two stores may yet get back into merger talks before the end of the summer. Meanwhile, other cities also look promising—Jacksonville, Fla., for example, and Birmingham, Ala.



"Yes, we'll even ship elephants!"



Everything goes—by UNITED AIR FREIGHT!

From heavy machinery to cabbages, you can ship practically anything by fast, economical United Air Freight. And here are some of the reasons why it pays:

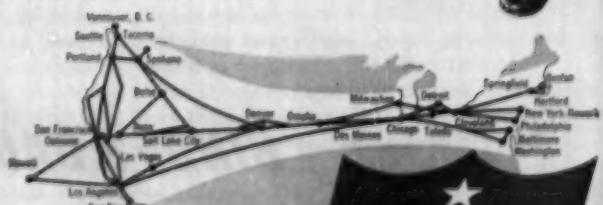
Decreased unit weight—lower crating costs, or none.

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Lower warehouse expense—because you can ship direct to distributors and customers.

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Only United provides one-line air service linking the East, the Midwest, all the Pacific Coast and Hawaii—also fast connections with other carriers to speed your goods nation-wide, or anywhere in the world.



Learn more about the advantages of United Air Lines Air Freight Service—call your nearest United representative or write for free booklet, "Industry's Flying Partner." Cargo Sales Dept. A-7, United Air Lines, 5959 S. Cicero Avenue, Chicago.

Magazine Merger

FTC charges that Farm Journal's purchase of Better Farming tends to create monopoly.

The Federal Trade Commission hit a new area in antimerger activity last week with a complaint charging that Farm Journal, Inc.'s purchase of Curtis Publishing Co.'s Better Farming magazine last month violated federal antimerger laws and tended to create a monopoly in the agricultural magazine field.

The complaint came as a surprise for two reasons: First, because most of FTC's current concern over mergers has centered on ones in the industrial manufacturing field; and second, because it is no secret that Curtis' Better Farming lost money in 1953 and 1954, and FTC's antimerger cases have been directed mainly against a marriage of money-making companies.

• Charge—FTC thinks it has a clear-cut case, in which the publisher of the No. 1 national farm magazine—Farm Journal—buys out its leading rival. The FTC complaint says this makes subscribers and advertisers dependent on Farm Journal, Inc., for the purchase of ad space in, and subscriptions to, a general agricultural magazine of nationwide circulation.

In buying Better Farming, with a net monthly circulation of about 2.5-million, FTC says Farm Journal, Inc., will have a net paid circulation of about 5.4-million—or about 51% of total circulation among the six largest competitors in the farm magazine field and about 24% of the 23-million total average circulation of all general agricultural publications. FTC also says the combined ad revenues of Better Farming and Farm Journal in the first three months of 1955—over \$4.5-million—accounted for over 51% of the ad revenues for all million-plus circulation farm magazines (there are four others).

The effect, according to FTC, is to eliminate competition between the two publishers in the publication of agricultural magazines and the advertising they carry, increase industrywide concentration of agricultural magazines, and give Farm Journal, Inc., an advantage in selling agricultural magazines and advertising to the detriment of actual and potential competition.

• Defense—Spokesmen at both Farm Journal and Better Farming view FTC's complaint as "a watch-dog action" and are confident that facts will prove that the merger is legal.

"Farm Journal is continuing with its announced program," Pres. Richard J. Babcock said.



"The whole thing in that one box?"

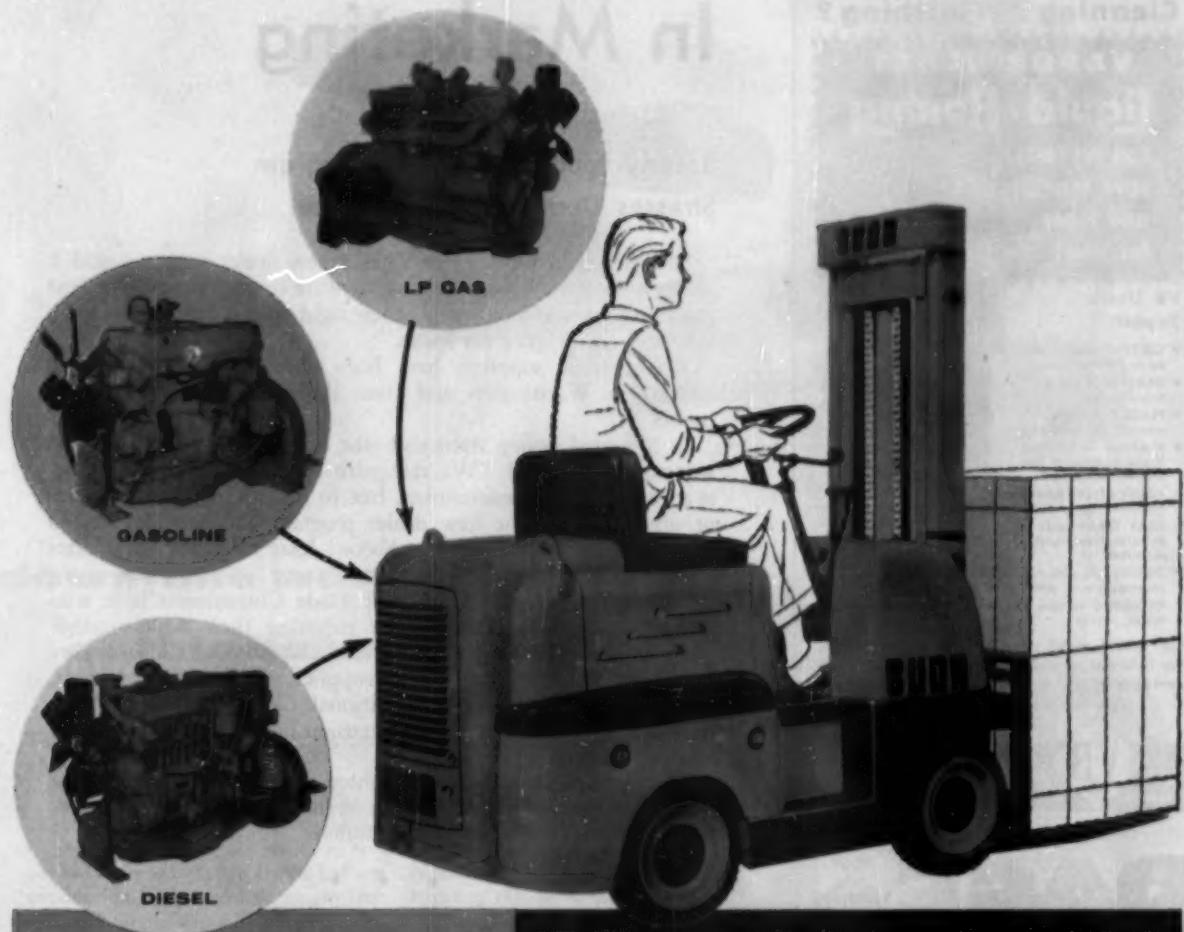
Precisely. Customer of ours packs these handsome double dressers (disassembled, of course) in this compact corrugated H&D box, ships them as far away as South America without a scratch.

Smart packaging. Freight costs and packing time are cut; the product gets ample protection. What more can you ask of a shipper? And why ask less? For a happy solution to your own packaging problem, drop us a line.



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13 FACTORIES • 40 SALES OFFICES



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Only Buda builds its own engines . . . and *only* Buda can provide a heavy-duty industrial type longer life, more costly engine at *no extra cost* to you! Only with Buda do you have 85% interchangeability of engine parts resulting in easier servicing, lower maintenance costs. Buda Diesel, gasoline and LP gas engines provide 30% longer life, less down-time, greater economies. Buda Diesel engines have proven fuel savings of up to \$500.00 a year. Remember, too, that every Buda engine is backed by complete, one-source responsibility in the plant or field, in warranty or in service by Buda . . . a division of Allis-Chalmers!



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FENCE

In Marketing

Socony Mobil Oil's New Program Stresses Dealers' Independence

Socony Mobil Oil Co., Inc. has a new dealer program—and it shows how anxious major oil suppliers are to reassure independent gasoline service stations of (1) their right to buy competing products and (2) longer-term leases.

The gasoline suppliers have been under pressure from antitrusts in Washington and from dealers themselves on both points.

In a formal policy statement—the first to be put officially in writing—Socony said: "We recognize that every Mobilgas dealer is an independent businessman, free to buy and sell our products or others . . ." The new dealer program also provides that a service station is eligible for a Socony lease for three years, after a one-year trial period.

Both Justice Dept. and Federal Trade Commission have won actions against oil companies for requiring their dealers—either verbally or in writing—to handle only the gasoline and accessory lines (tires, batteries, etc.) of one supplier. On the second point, many dealers, through their National Congress of Petroleum Retailers, have held out for an extension of the standard one-year lease agreement.

The two issues have been spotlighted recently by a special House Small Business Subcommittee probe into alleged discriminatory practice by oil companies against dealers.

American News Co. Revises Policy To Placate Magazine Publishers

American News Co. is shaking up its 92-year-old distribution policy in an all-out effort to satisfy publishers who sell their magazines through its newsstand channels.

American's new president, Henry Garfinkle—who won control in a recent proxy battle—announced last week that for the first time the national distributors of periodicals will allow its publisher-clients to deal with local distributors as well as with American.

The way American's contracts worked before, a publisher could deal only with American, and American picked the retailers and determined how many copies each would get. In other words, a publisher couldn't send more copies into one geographical area than into another, unless American agreed to it. Further, some of American's clients claimed, they had to agree to distribute nationally, and only through American to get their publications on stands operated by Union News Co., wholly owned subsidiary of American. This froze regional and smaller national magazines out of Union newsstands, they complained.

Now, American will distribute nationally through Union and other retailers—as before—but magazine publishers can deal with other distributors to place their copies on other newsstands, and can control the number shipped to any given area.

Also, American News will start a new, stronger display and merchandising program to boost stand sales in individual localities.

American News recently lost distribution of Time, Inc., maga-



downtime was taking a slice of this bakery's profit!

Today's bakeries—like other modern businesses—depend on machines for production and profit.

In one modern plant, lubrication was posing a serious downtime problem. A 400 foot conveyor chain carried the bread through the ovens. Oiling this chain by hand took two men two hours—while the machine stood still. To the bakery this meant an 8% slice out of production. Spoilage and waste from dripping oil. And, with all this, the chain was still not properly lubricated!

Then, an Alemite Lubrication Representative was called in. After a careful analysis of the problem he came up with the solution. *The same solution that has helped scores of industries—Alemite Oil-Mist!* An Oil-Mist unit was attached to the machine that required lubrication. This unit delivered a continuous, carefully measured supply of cool atomized oil to the chain. *In this bakery*, production waste from lubrication downtime was ended. Lubrication loss was cut 90%. And product spoilage was completely eliminated.

This is typical of the assistance Alemite offers industry. Whatever you manufacture, whether your plant is large or small, chances are an Alemite lubrication system can save you money. And expert lubrication advice is yours at no cost or obligation whatsoever. Wherever you are there is an Alemite representative ready to serve you.

Oil-Mist central unit where oil is atomized for delivery to bearings . . .

**Three types of fittings allow the use of Alemite
Oil-Mist on any bearing—any machine!**



1. Oil-Mist fittings bring the most efficient lubrication in the world to roller, ball, needle—or any anti-friction type of bearing.



2. Oil-Mist Spray fittings are recommended for open and enclosed gears and chains. Allow for concentrated application where needed.



3. Oil-Mist Condensing fittings are applied to plain bearings, slides, ways, veees, cams, and rollers. Completely condense Oil-Mist.

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REG. U. S. PAT. OFF.

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FREE —the complete story of Oil-Mist—
how it can bring these savings to any machine
in your plant. Specifications, typical
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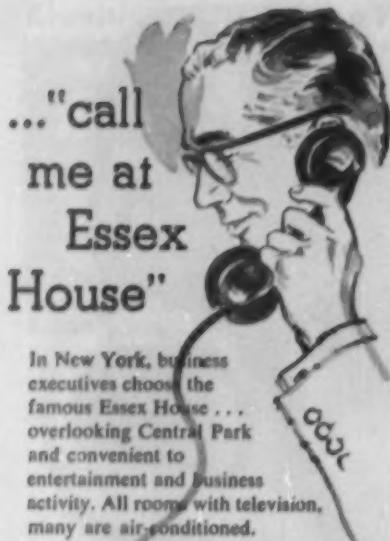
Gentlemen: Please send me complete information on
Alemite Oil-Mist. No obligation, of course.

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zines to S-M News Co., a former independent that grew into a chain rivaling American (BW-Jun.25'55,p62). Cowles Publishing Co. followed suit, switching distribution of its Look Magazine from American to Curtis Publishing Co., which also is a national distributor. American also suffered a sales volume drop of \$13-million last year, plus a decline of another \$2.2-million for the first quarter of 1955.

Garfinkle's new policy of letting publishers handle their magazines through local independent and competing stands as well as through Union News, and stepping up American's promotion program, is expected to do two things:

(1) Stop defections to other distributors, and possibly bring back some business. Macfadden Publications, Inc., and TV Guide are reported considering signing up with American.

(2) Take the teeth out of a Justice Dept. antitrust suit filed against American for allegedly forcing publishers to distribute through American in order to get their magazines on Union News stands, or at least getting American's permission.

• • •

Atmos Clock Preserves Its Prestige As Court Slaps Down Imitator

A manufacturer whose product looks too much like a more expensive, "prestigious" product of another maker had better watch out; he may be violating the design protection law.

This is the result of a decision by the U.S. Circuit Court of Appeals in New York in a case involving the Atmos Clock, a product of LeCoultre Div. of Longines-Wittnauer Watch Co., and the Mastercrafters Clock of Mastercrafters Clock & Radio Co. In a broad interpretation of the law, the circuit court held that Mastercrafters was in unfair and illegal competition with the Atmos. This reversed a decision of a lower court, which now will award damages.

The Atmos Clock is expensive, selling for around \$175; it is powered by changes in atmospheric temperature and has a distinctive appearance. The Mastercrafters resembles the Atmos in appearance, but operates on electricity, sells for around \$30.

There was no attempt to palm off the Mastercrafters as an Atmos, but the court held that the less expensive item was trading on the established prestige value of an easily recognized design. This cheapened the prestige value of the higher-priced product, and may have jeopardized its sales appeal, the court said.

• • •

Sale of Unaged Corn Whiskey Legalized by North Carolina

North Carolina's liquor trade has come up with a way to fight moonshine—with moonshine.

The state's Board of Alcoholic Beverage Control last week started selling White Lightning Corn Whiskey, an old trademark of Brown-Forman Distillers. The ABC stores have sold an aged corn whiskey for some time. The new stuff is strictly unaged, like moonshine. Many people who buy illicit liquor say they prefer good old mountain dew to the "bottled chemicals" sold by local distillers. Going price for illegal skull buster whiskey is \$5 to \$8 per half gal. Legal White Lightning sells for \$2.25 a pint, or \$4.40 a quart.

First shipment to local ABC stores was sold out in three hours —mainly to older men.



You can air-condition your home without using a drop of water

**Worthington "air-cooled" residential
units take on the hottest air
conditioning assignments without water!**

Every summer the nation's water shortage makes as many headlines as the heat. But now homemakers can live through the dog-days in cool comfort — without dipping into the precious water supply.

Worthington's new "air-cooled" residential units keep the hottest homes cool — and don't use a drop of water. All-electric, "air-cooled" units convert your warm air heating system to year-round air conditioning.

These new "air-cooled" units join Worthington's year-

round and add-on units to provide the "right" type equipment for every residential need. They also score as another successful development for Worthington research engineers whose steadily growing list of contributions to industry already includes complete lines of construction equipment, pumps, compressors, engines and mechanical power equipment. Worthington Corporation, Harrison, New Jersey.

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News from— BUSINESS WEEK'S BRIEFCASE

24 REPORTERS

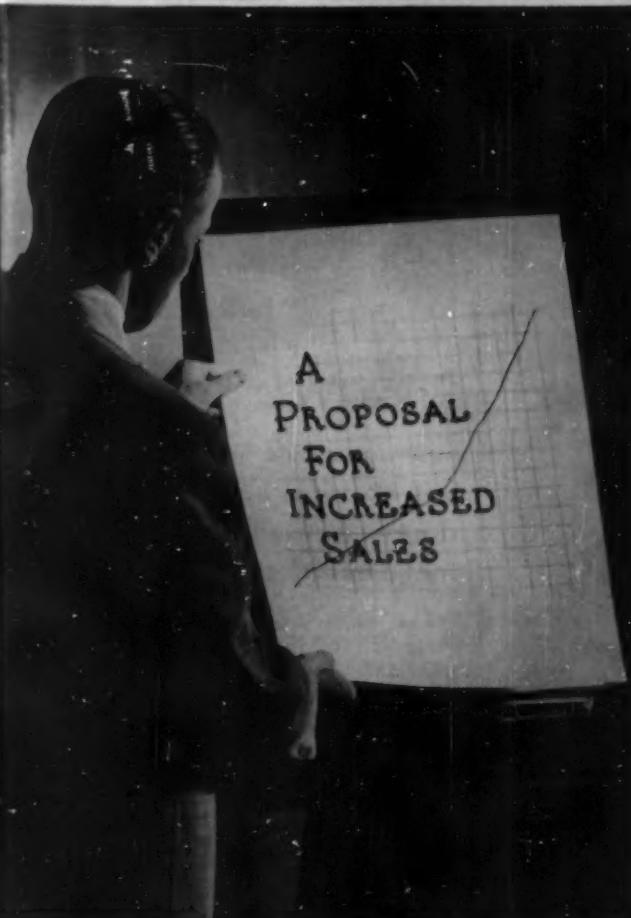
30,000 WORDS

A BUSINESS WEEK STORY

Here Kenneth Kramer, Managing Editor, and Eugene Miller, Associate Managing Editor, review the 30,000-word report from Business Week correspondents on a "National Survey of Retail Sales." Before management readers got the story in the March 19 issue, field reporters interviewed retailers in 24 key cities. The resulting story, edited to less than 1,000 words, showed retailers enjoying a boom. All Business Week reports are prepared against a similar backdrop of interviewing and research—one more reason why management men consistently vote Business Week their "most useful" magazine.



BUSINESS WEEK IN THE CLASSROOM . . . The Guaranteed Annual Wage was under careful study last month by advanced students at the University of Houston in Dr. John P. Owen's course on "Contemporary Economic Problems." Textbook for the two-week course: Business Week's Special Report on the Guaranteed Annual Wage, published in the April 9 issue. Management men, too, are studying this Business Week Report—as evidenced by their orders for nearly 5,000 reprinted copies.



A PROPOSAL FOR INCREASED SALES

HOW 35 AGENCIES SOLICIT A MAJOR ADVERTISER . . .
During recent months, 35 agencies have solicited the advertising account of a major manufacturing company. Each of the agency presentations featured a single theme: A report on this company's marketing program, published recently by Business Week. Here's further evidence of Business Week's editorial authority . . . its usefulness when there's a selling job to be done.



NEW RESEARCH STUDIES AVAILABLE . . . Here are some of the 1955 research studies just released by Business Week: 52 top Starch-Rated Advertisements in 1954; Readership Habits; Travel Patterns; Studies among members of the National Machine Tool Builders Association, Bottling Executives, Presidents of School Boards, and Building Managers. Copies are available from Business Week Research Department, 330 West 42nd Street, New York 36, New York.



BUSINESS WEEK GOES TO SELLERAMA SHOW . . .

Last month at a "Sellerama" Sales Meeting for 250 dealers and salesmen, the Steel Building Division of Butler Manufacturing Company, Kansas City, (a consistent advertiser in Business Week) unveiled a completely new line of pre-engineered metal buildings. Also introduced at Sellerama were new and better selling techniques designed to increase sales. Holding up the giant Business Week cover on display at Sellerama are Chris Stritzinger (left), Butler's Advertising and Sales Promotion Manager, and Wilbur B. Larkin, Steel Building Division Manager.

BUSINESS WEEK

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Why over-extend in equipment, raw material inventory and costly additional floor space? Parts from Reynolds Aluminum Fabricating Service can help make and keep your plant a low cost plant. For details, call the Reynolds office listed under "Aluminum" in your classified telephone directory or write direct to the address below. Also write for brochures covering all Reynolds facilities and fabricated parts.



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Photos taken in Reynolds Parts Producing Plants



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Reynolds does away with machine and labor production losses and inspection expense because you pay only for finished, inspected parts.



REYNOLDS CUTS YOUR MATERIAL
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Parts from Reynolds reduce your handling costs . . . also eliminate your problems of scheduling, material supply, labor and machine availability.

"Last winter's price cutting spree isn't over yet."

"At least we're not so quick to react to another's cuts now."

"It will take years to eradicate this poison."

Price War Bogey

January's "White Sale" left electrical equipment industry worried over long-range effects of the cuts.

Last winter's all-out price slashing spree left the heavy electrical equipment industry with a bad hangover. The heaviest cutting appears to be over, but manufacturers still are sporadically knocking prices down. The quotes above show how the trade is reacting.

Back in January, makers of huge turbine generators, power transformers, heavy switch gear, powerhouse motors, and the like found themselves offering all sorts of off-list and package pricing deals to their customers (BW—Feb. 19 '55, p50). Nobody quite knows—or wants to say—who started it, but the hottest competitors were, and are, the Big Three full-line manufacturers: General Electric Co., Westinghouse Electric Corp., and Allis-Chalmers Mfg. Co. (though the latter has since dropped out). Soon everybody—big and little makers alike, American and foreign—were offering cuts as high as 50% on equipment that only a month before sold for hundreds of thousands or millions of dollars.

One thing everyone was sure of: The splurge wouldn't last long—the industry couldn't take it. In fact, the price dealing seemed to end abruptly after three weeks, almost as if a tacit halt had been called.

- **New Flurry**—However, the fog has far from cleared. Again last week, smaller manufacturers were complaining they are being underbid on contract jobs by price cuts up to 30%.

Officially, everyone in the industry says "no comment" to questions about price cutting. But a BUSINESS WEEK survey this week shows that:

- While the heaviest cutting is over, prices on big electrical equipment items are still running lower than before the three-week spree last winter. As one top executive of a large maker puts it: "Prices have stabilized at about 75%-80% of what they were before the January White Sale."

- There still are flurries of deep

cutting. A bid on four heavy transformers, opened just a few days ago, showed cuts of from 10%–41%.

• Privately, management of both big and little makers—and even customer companies—is split over the wisdom of the cuts. Many high-level executives are afraid that once the price slashing has been accepted by buyers it will be hard to stop.

• The "Senseless" Splurge—What especially galls the anti-price-cutters is that it should still be going on under current market conditions. Demand for heavy equipment is brisk.

Then, too, electrical power output (in millions of kilowatt-hours) is running well ahead of last year. This means that utilities companies—about the biggest volume buyers of heavy electrical equipment—will probably need more goods for expansion than they anticipated. The latest power output estimates are running better than 15% ahead of last year.

Government contracts for heavy equipment aren't drying up either, the people opposed to price cutting are quick to point out. One maker—big among the Big Three's smaller competitors—says it put through a \$6-million facilities expansion program since the end of the war at the government's request.

For another thing, steel and copper costs have gone up. So have wages.

All of these things—argue the anti-price-cutters—point to firmer, not looser, pricing policies.

• How Did It Start?—The three-week price war last winter and this summer's new flurries stemmed ironically from an allied industry. It has long been a trade practice to sell light electrical equipment—small switches, cable, light transformers, transistors, and the like—at special price discounts. But these items, which sell for anything from a few dollars to a few hundred, almost never carry price cuts of more than 5%–10%. "A 15% cut is a big deal for us," one maker says.

The light equipment people themselves, some in companies that make both light and heavy gear, look with alarm at what's going on in the heavy equipment field.

"They don't know what they've started," commented one light-equipment man whose company also turns out the big stuff. "They had a nice, stable business going for them; then those boys got just plain greedy. They took a leaf from our book, and started offering cut-price deals because of increased competition. But our business is a rat race, and we're only dealing in pennies compared to the prices they're playing around with."

• Scare—The latest flurries have scared a lot of the big equipment makers whose management saw nothing wrong

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with competing for business with a few price cuts during the White Sale last January.

Another thing no one is quite sure of is how the big equipment makers go so fiercely competitive all of a sudden. One trade observer blames slow buying on the part of the utilities companies. Another, foreign competition because of lower prices made possible by lower labor costs.

• **Questions**—Whatever the origin and however rationalized, the price cutting spurge raises some serious questions:

• Some customers are asking, "If GE and Westinghouse still can afford to offer us 20%-30% reductions, what kind of profit were they making on this equipment before?"

• If the price cutters are taking a profit beating—and all are quick to admit they are—how long can they afford it? (Though it is almost impossible to break down earnings statements of diversified companies, some trade observers think Westinghouse's lower profits this year are attributable at least in part to the heavy equipment cuts.) One person remarked: "Last winter we were cutting our throats—now we're just slitting our wrists. The effect is the same, only it takes longer."

• How serious will the after-effects of the price cuts be for the smaller manufacturers? The survey turned up little optimism. The maker who embarked on the \$6-million expansion program wonders whether he should rent out his new transformer plant as an indoor football field. The same company and others say they are turning from heavy electrical equipment making into electronics and other allied fields where prices are more stable. Another says he has to meet cut prices just to get enough contracts to keep his engineers employed.

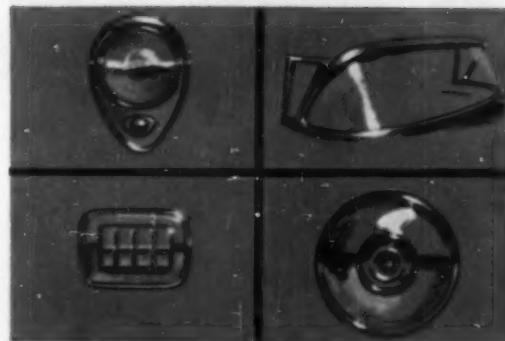
What about customers who have ordered equipment at one price—then see lower bids tossed around? Some have asked for rebates, some have broken contracts.

• How far in advance can a customer order? Some utilities companies say they now are stocked up for years.

• **Reactions**—In most heavy electrical industrial areas, a consensus shows despair, rather than the white-hot anger that followed the White Sale. Some smaller companies even predict that the bigger makers will take over the business. Others blame foreign competition, which they say the government has encouraged too much. The foreign makers on the other hand, think the price war is an attempt to push them out—an attempt that will hurt the little American suppliers as well.

But—just as after the White Sale—trade sources again predict costs, wages, and common sense will combine to end the spree.

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INTERNATIONAL OUTLOOK

BUSINESS WEEK
JULY 23, 1955



Geneva will go down as a success for Western diplomacy. That much seemed clear at midweek:

By the halfway mark it looked as if the conference would be able to pass the main agenda items, including German unification, on to the foreign ministers for detailed negotiation.

The Russians apparently aren't prepared to let differences over Germany, wide as they are, stand in the way of better relations with the West.

The fact is that Soviet policy at Geneva has been basically defensive.

Premier Bulganin may have talked as though Moscow still aimed to liquidate NATO. But reading between the lines you can see that the Kremlin has given up this goal.

What it aims to do now is to prevent Germany joining the West in such a way that the balance of power would shift drastically against the U.S.S.R.

The Russians hope to achieve this by a double set of negotiations—direct talks with Chancellor Adenauer along with four-power discussions at the foreign ministers' level.

But Adenauer, who is the absent Big Fifth at Geneva, is determined—and undoubtedly able—to stymie the Soviets on this. And the Russians know there is a time limit on such tactics if they really want good relations with the U.S.

According to insiders at Geneva, the Soviet delegation has indicated that its main interest is in a Soviet-U.S. deal.

That's clearly a long way off unless Moscow is ready for real concessions, especially on Germany. But you can't ignore the give and take that has already gone on between Eisenhower and Bulganin.

In his opening speech Eisenhower accepted, as a basis for negotiation, the Soviet proposal for limited supervision over the means of delivering nuclear weapons. This is being called the "alarm system."

Bulganin followed by agreeing that the U.S.S.R. would participate in Eisenhower's "atoms for peace" plan—a scheme that Moscow just a few weeks ago was calling an "imperialist hoax."

It's too early to assess the importance of the Eisenhower-Zhukov relationship.

But it looks as if the President took advantage of this at Geneva to reach those forces in Russia that want a real settlement with the West.

He was doing this when he appealed to Zhukov to take his word that America wants friendship with the Russian people. In the eyes of the average Russian, Zhukov is a national hero not a Communist leader.

—

The International Atomic Energy Agency could play a role in easing world tensions.

Russia's agreement to join up and contribute fissionable materials means the agency will become a global pool of atomic information and materials. As many as 80 nations probably will join now.

The U. S. and seven other nations—Britain, Canada, France, Australia, Belgium, South Africa, and Portugal—will complete work any day now on a

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK
JULY 23, 1955

statute for the agency. Then other nations, including Russia and the satellites will be invited to join.

Keep an eye on the 60-nation conference on peaceful uses of atomic energy in Geneva Aug. 8. It will be important to businessmen as well as scientists.

U. S. experts expect to learn a lot about power applications of the atom—particularly from the British. The Russians may teach us something, too.

There'll be plenty of quiet atomic commercial rivalry on the sidelines of the conference.

Poland has signed up for 50,000 tons of Canadian wheat (grades 4 and 5)—and paid cash for it, something over \$3-million.

Now the Poles are dickering for another 200,000 tons, to complete the deal they have been shooting for (BW—Jul. 9'55, p30). They are to get this wheat on a deferred payment basis. Several Canadian banks are financing this part of the purchase, with a guarantee from Canada's Export Credit Insurance Corp.

Just the other day the Polish vice minister of foreign commerce told a Manchester Guardian correspondent why Poland was buying Canadian wheat. Bad weather has delayed the harvest, he said. Several crops are three or four weeks behind.

This could indicate something about the current harvest in the Ukraine, Russia's biggest grain area. Poland and the Ukraine are adjacent areas.

The score is just about in, for this session of Congress, on Pres. Eisenhower's trade liberalization program. Here's how the major items stand:

- The Reciprocal Trade Agreements Act is law.
- A compromise on the customs simplification bill, guaranteeing passage before adjournment, seems likely. The Administration expects it to cut in half the customs delays and litigation—the bane of businessmen abroad.
- Action on the Organization for Trade Cooperation (BW—Jun. 11'55, p 140) will be postponed.

How will the new trade program be administered? That will determine whether there'll be a net decrease—or increase—in U. S. trade restrictions.

Remember, amendments to the Trade Agreements Act invite pressure on the White House for tariff boosts on specific commodities.

Figure the Administration to play it down the middle:

- It is going ahead with plans for a multi-nation tariff-cutting bee next winter. But in practice, our concessions will be modest.
- Eisenhower may go along with the recommendation for a tariff rise on bicycles (page 129). There's enough evidence of injury to home manufacturers to make it hard for him to veto the Tariff Commission.
- But Washington leans in the direction of English Electric Co. on the pending order for \$5-million in generators for the Chief Joseph Dam. The Office of Defense Mobilization ruled—under the liberalized "Buy American" policy—that there are no national security grounds for throwing the business to Westinghouse Electric Co.



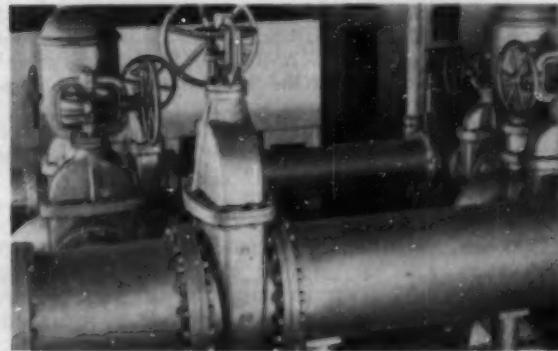
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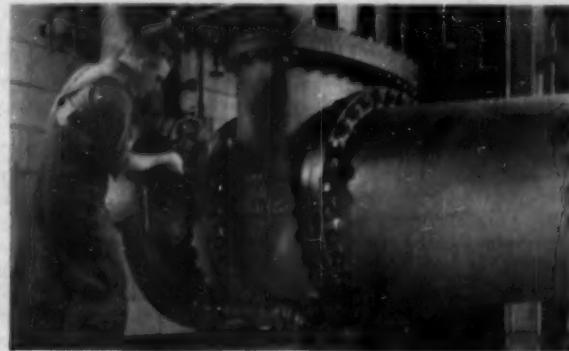
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UAW Takes on the Independents

With Chrysler negotiations going smoothly, auto union concentrates on Studebaker, American Motors.

Independents might be willing to accept Ford pattern if they could eliminate existing "penalties."

UAW insists it won't settle for less than the pattern and won't give up previous gains.

Bargaining pressure in the automotive industry shifted this week from the last of the "Big Three" companies—Chrysler Corp.—to the two top independents, both extremely cost conscious and fighting for survival in an increasingly competitive market.

At Chrysler—Chrysler and the United Auto Workers (CIO) completed negotiating presentations last week. Reportedly, they were in basic accord on the supplementary unemployment compensation plan and other economic benefits written into UAW contracts with the Ford Motor Co. and General Motors Corp. Only details of the contract remained to be worked out.

As bargaining resumed late this week, the only real problems seemed to center on holdover questions raised by the consolidation of Chrysler and the Briggs Mfg. Co.'s Automotive Bodies Div. and these apparently are more complex than controversial. UAW's Briggs and Chrysler contracts contain different provisions on union security, final grievance procedures, and other important points. The aim of this week's bargaining was drafting a single contract for all operations. Chrysler's contract with UAW runs until Aug. 31, so the talks are being conducted without deadline pressures. A settlement is expected long before the expiration date.

Independents—While the top independents—American Motors Corp. and Studebaker-Packard Corp.—are not pessimistic, they are not displaying as much real confidence as Chrysler over contract negotiations. UAW pressure is bearing down harder, week by week, on both the independents. Here are some instances:

Studebaker-Packard's big South Bend (Ind.) plant was struck last week in a dispute involving seniority rights of 55 assembly workers. The plant's labor relations have been deteriorating for several months, while Studebaker tightened work standards (BW-Jul.16 '55,p132). UAW's 10,300 members

there recently voted to strike on the standards issue—but last week's stoppage was a "wildcat" on a side issue.

American Motors' contract negotiations with the auto union broke wide open at the end of last week when AMC rejected UAW's demands for a settlement patterned after Ford's. American Motors contracts expire Aug. 12. After a management-union hassle, negotiations recessed until Aug. 8—just four days before the deadline.

Higher Costs—As far as Studebaker-Packard and American Motors are concerned, the big issue in bargaining with UAW this year is the higher costs of auto production in their plants. These are the result of years of looser standards and higher premium rates.

There appears little doubt that if some of the underlying competitive disadvantages could be eliminated from the independents' contracts, both would accept—with little argument—the terms of the Ford and General Motors settlements. Just last week, American Motors' people were saying privately that acceptance of the supplemental unemployment pay (SUP) plan appears inevitable, like it or not.

Nevertheless, American Motors' Edward L. Cushman, vice-president in charge of industrial relations, announced that the corporation had turned down two UAW contract proposals—one for the full guaranteed annual wage originally sought by the union, and the second for the same terms accepted by Ford and GM, including SUP. UAW angrily retorted that the AMC statement violated an agreement—similar to those in effect during Ford and GM negotiations—that the parties would not engage in public discussions on bargaining progress without giving a 24-hour notice. With negotiating now out in the open, Leonard Woodcock, UAW vice-president, charged that AMC was asking the union to give up benefits it had won over the years, and that the elimination of what AMC termed "penal-

ties" in its contract would mean less pay for many workers.

Actually, AMC's proposals did not call for pay cuts for employees, such as those approved for Studebaker workers at South Bend a year ago. They did call for smaller wage increases for workers in higher pay scales under any 1955 contract settlement. And they suggested other cost-cutting revisions in AMC terms.

"Pattern Plus"—In the past, according to Cushman, the companies now merged into AMC—Hudson and Nash—had "pattern plus" settlements forced upon them by UAW; they had to agree to terms negotiated by the "Big Three" plus additional benefits. As a result, Cushman said, AMC is now saddled with many "plus" items like these: (1) wage scales higher than the prevailing rates in the auto industry, (2) paid snack and wash-up periods that cut the 8-hour work day to 7 hours and 16 minutes of production time, and (3) plantwide seniority that results in excessive bumping and reduces operating efficiency.

These "plus" items, and others, exist in Studebaker-Packard as well as in AMC plants. They stem partly from the independents' struggle to get and hold workers during the tight wartime labor market. They also are a result of former loose, and sometimes almost paternalistic, bargaining with the auto union. AMC—and Studebaker-Packard—insist the "plus" items must be eliminated.

Cushman commented that once UAW accepts this "principle," details of a contract can be worked out.

Impasse?—Largely because of this statement, Detroit observers see AMC's initial turn-down of UAW's "pattern" as intended for bargaining purposes. This position is supported by some off-the-record comments from corporation people who say they are not "depressed or discouraged" by an apparent bargaining impasse, and foresee a settlement. So far, UAW says any agreement won't be for less than the pattern, and nothing will be surrendered. The question is whether this constitutes an inflexible position. Perhaps the best answer is that within UAW leadership ranks there is a feeling that all economic matters can be settled in the four days between Aug. 8 and the contract deadline Aug. 12, if local working agreements (still being discussed at the plant level) are thrashed out in time.



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The Crisis in Local Transit

Labor troubles sprout as rising costs, dwindling riders, and worsening traffic squeeze transportation companies in many cities.

Transit systems in 10 cities have been halted by strikes so far this year, the latest three weeks ago in Washington. At least as many more have escaped stoppages by the barest of margins. Hard bargaining now going on between unions and other transit companies may result in further tieups.

The troubles afflicting the transit systems are chronic, caused by the increasingly tight squeeze between rising labor costs and declining passenger revenue. The strikes and near-strikes of 1955 are symptoms of management's hard negotiating due to concern over the basic economics of the industry.

• **Major Tieups**—Strikes earlier this year paralyzed mass transportation in six cities for from seven to 49 days. This midweek, Scranton (Pa.) transit lines had been idle since Apr. 5; those in Los Angeles since June 20, in Little Rock, Ark., since June 22, and in Washington since July 1 (picture). Unions accepted settlements in Dallas and Omaha just hours before strike deadlines.

Last year, Harrisburg, Pa., was tied up for 90 days; Indianapolis for 42, and Washington, Pa., for 67. Terre Haute, Ind., had no transit service for nine months—until service was resumed this May by a new company, which took over without becoming involved in the labor dispute that shut down the old one.

The basic issues are the same in all

of this year's stoppages, and those of 1954 as well: wages and working conditions.

• **Washington Strike**—The strike in the nation's capital differs in only one respect from the usual labor dispute. The Street, Electric Railway & Motor Coach Employees (AFL) is demanding a 25¢ an hour raise. Capital Transit Co., headed by Louis E. Wolfson, concedes that its employees should have an increase. There may be some disagreement about how much, but negotiations haven't reached that point yet. For weeks, Capital Transit refused to make any offer of a raise until assured a fare increase and local tax relief. This week, threatened with loss of its franchise, the company offered 10¢ and fringes, conditioned upon its getting a fare hike. Striking workers rejected the offer.

Most transit lines say they can't give raises without a covering fares boost, although one in Buffalo recently settled a strike with a 7¢ pay boost (to \$2 for drivers) and announced that it will attempt to absorb the increased costs—providing there is no further rise in costs and no further decline in revenues.

At the same time, the Buffalo company pointed up the squeeze in transit with some figures: Its labor costs, wages and salaries, rose 147% between 1940 and 1954, the company said, without sufficient offsetting boosts in income.

• **What's the Answer?**—How is a trans-

sit company to meet rising labor costs? The question is important, since about 60¢ of every transit revenue dollar goes into wages and salaries.

In manufacturing, increased pay is partly offset by production economies and higher productivity. In transit, savings are harder to make, and a man can do just so much—since nothing is going to reduce the use of labor below today's one man per vehicle.

Transit systems generally wind up by raising fares. These have gone up, on an average, 114% between 1940 and 1954.

Even before fares began rising, passenger totals were dropping off. In part, traffic problems that slowed trolleys and buses were to blame; in part, more prosperous times that increased the ownership of automobiles.

Each fare rise has made transit service still less attractive. More people begin driving after each increase; car pools grow more popular. Transit revenue drops. Traffic snarls are compounded.

Then, despite the transit problems, as industrial wages rise, demands inevitably follow for a pattern-matching raise in transit pay. Thus, the vicious circle starts all over again—as it has this year.

LABOR BRIEFS

Two long strikes ended in New England this week. Nearly 15,000 CIO textile workers returned to jobs in 10 Berkshire Hathaway, Inc., mills and three Pepperell Mfg. Co. plants after a 13-week walkout, with wages and fringe benefits unchanged; the cotton-rayon employers had insisted on a 10¢ an hour slash in costs. Meanwhile, AFL truck drivers began returning to work after a five week strike against 18 trucking companies.

Wage increases of from 11½ to 17½ an hour continue spreading through the nonferrous industry after a "pattern" settlement based on steel terms (BW-Jul.16'55,p130). Despite the trend set in Anaconda Co. and smaller operations, Mine, Mill & Smelter Workers strikes continued this midweek against Phelps Dodge Co., Kennecott Copper Corp., and American Smelting & Refining Co.

In the show world, Los Angeles burlesque queens are threatening a "cover up" strike unless their union demands are met—with a raise, hiring limited to those who have served an apprenticeship in "the art of exotic dancing," and larger dressing rooms providing a "suitable place to read good books between shows."

Michigan Clears Way for SUP

Attorney General rules that supplementary unemployment pay benefits from employers can be integrated legally with state jobless compensation.



ATTY. GEN. THOMAS KAVANAGH

The United Auto Workers (CIO) supplemented unemployment pay plan received legal support last week from Michigan's Atty. Gen. Thomas Kavanagh—but the decision clearing the way for integration of state benefits and private supplementary payments may be challenged by the state's employers.

The Ruling—Kavanagh ruled last week that integration is legally possible in Michigan—the key state for SUP plans because of the concentration of auto workers there. Since the supplemental payments can't be considered as wages under the terms of the Michigan law, he said, there is no bar to integration. So, he ruled, laid-off workers will be eligible to collect both state jobless compensation and employer-financed supplements (BW-Jul.16'55,p34).

Kavanagh's decision—and a similar one a few days earlier in Connecticut—resulted from the way supplementary benefits will be paid laid-off employees under the plan drafted by Ford Motor Co. economists. Employer contributions at a rate of 5¢ for every hour worked go into a special trust fund, from which payments are to be made to the involuntarily idled beginning in mid-1956.

This trust fund arrangement, with its carefully laid out rules and safeguards (BW-Jun.11'55,p152), divorces supplementary payments from regular wage accounts. Consequently, the added benefits won't be construed as wages paid workers not rendering any service, according to Kavanagh.

Criticism—Since SUP is far from popular in management ranks, the Kavanagh ruling drew quick criticism from Michigan businessmen. The state official was described as "a CIO-sponsored attorney general." An elective officer, he is the first Democrat in recent years to hold down the job of attorney general, and had strong labor support in winning the post.

The National Assn. of Manufacturers, meeting in an SUP conference in New York, called on Michigan employers to challenge Kavanagh's ruling in state courts. State legislators "created public policy that cannot be overruled by one man," NAM said (page 122).

Probably, if there is any challenge it will be only for the records. Both Kavanagh and Gov. G. Mennen Williams have suggested that the Michigan legislature, next scheduled to convene in January, 1956, amend the state unemployment compensation law to make integration a matter of public policy.

Little difficulty is expected. Republican and Democratic leaders already have approved making any necessary changes in the law.

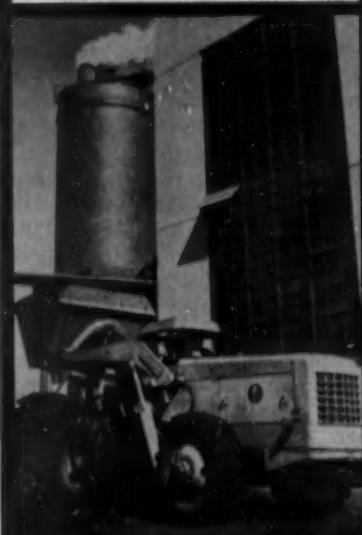
With an eye cocked toward the state's political dominance by CIO, Republicans reportedly are framing a GAW plan for introduction next January. It would take advantage of a little-used provision of the Federal Unemployment Compensation law, permitting an employer to reduce his UC tax rate if he guarantees 40 weeks employment annually.

Motives—Since legislative changes are coming, to legalize integration, some people are wondering what prompted Kavanagh to act. There's no urgency, because SUP plans all contain provisions for a one-year delay in payments, to give funds time to build up.

Michigan Republicans, irked by the Kavanagh ruling, say politics lay behind his action. They charge he jumped the gun so he could claim a major part of the credit for changing the state law to permit integration.

Many employers in the state believe the reason goes a lot deeper. Kavanagh's quick ruling, they charge, gives UAW important psychological support in (1) its efforts to spread SUP through the auto industry, and (2) its campaign under way in 22 states to get state officials to rule integration legal without referring the matter to legislatures where it might be a controversial issue with a doubtful future.

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In Labor

Ford Tells Why It Accepted SUP: State Jobless Aid Was "Inadequate"

It was a shocker for management when Ford Motor Co. offered the United Auto Workers (CIO) the controversial supplemental unemployment pay plan. Everyone wanted to know why Ford made the offer. And now Ford's vice-president for industrial relations, John S. Bugas, has just given the answer.

In a Ford booklet outlining the new plan, Bugas makes two basic points about SUP:

- Many state unemployment compensation systems have "inadequacies" that may never be remedied by legislative action.

- UAW's proposal for solving these "inadequacies"—a full guaranteed annual wage—were, in Ford's opinion, "dangerous" in their possible effect on principles of sound industrial management. Ford realized, says Bugas, that "pressure for some sort of supplementation, which the union called the guaranteed annual wage, would not cease or diminish, but in all probability would grow. It was felt that under this pressure a break-through could occur somewhere in industry and perhaps on some basis that gave on the important management principles." So Ford settled on SUP. Bugas goes to great pains in the booklet to make clear that SUP is not a guaranteed annual wage in any form.

In obvious reference to Chrysler Corp.'s bargaining with UAW, Bugas adds that "such a break-through on some form of GAW could have happened in the automotive industry later this summer." Chrysler comments: There is nothing to it. Bugas also says the size of Ford's package settlement—about 20¢—was determined "by a prior offer of another company in the industry." The "other company" is General Motors. Bugas adds that Ford merely allocated part of the offered package to its plan for cushioning layoffs.

Auto Workers Show Signs of Extending It Still Further

Now there are signs that the United Auto Workers is trying to open the door to the guaranteed annual wage even wider.

That's how many employers feel about UAW's demand that the farm equipment industry sign a contract that gives even more than the terms that UAW won from Ford. This demand has come while UAW is spreading its supplemental unemployment pay plan through the auto industry. UAW's midwest regional director, Duane "Pat" Greathouse, who is a key figure in handling farm equipment negotiations, says:

"The principle was established at Ford. Now we want to improve the arithmetic."

In what way? UAW demands on farm equipment manufacturers seek the elimination of limitations in

the present SUR plan—including those holding state benefits and private supplementary pay to a maximum 65% of take-home pay for up to 26 weeks. UAW wants a full 52-week period of "assured" pay at "regular" weekly levels for farm equipment workers.

The industry, which has had larger layoffs in recent years than either Ford or General Motors, will resist the demand strenuously.

Bargaining is under way between UAW and (1) Deere & Co., covering 15,000 workers in nine plants; and (2) Allis-Chalmers Mfg. Co., covering 17,000 workers. It is about to start with International Harvester Co., Caterpillar Tractor Co., and other companies.

NAM Loads Up More Guns

To Blast Spread of GAW

The National Assn. of Manufacturers is intensifying efforts to carry its fight against guaranteed wages into state legislatures. At a special conference in New York last week NAM called on employers to resist union demands for Ford-type supplemental unemployment pay. And it urged employers to "mobilize" against efforts to legalize SUP's integration with state benefits and to add to present state jobless pay.

Charles R. Sligh, Jr., former head of NAM and now chairman of its executive committee, sharply criticized a ruling by Michigan's attorney general (page 121) holding integration legal. He envisioned Henry Ford, II, on one side and GM Pres. Harlow Curtice on the other, marching with UAW's Walter Reuther on the state capitol in Lansing, Mich., to ask first for SUP integration, then for state compensation increases. NAM reported that a survey of industrialists indicated that 70% believe jobs would be reduced, expansion would be discouraged, and the economy retarded by GAW.

SUP Gets Into Another Tent: The West Coast Sugar Industry

Supplementing of unemployment pay moved into the sugar refining industry on the West Coast last week when California & Hawaiian Sugar Refining Corp. and an AFL sugar workers' local settled a five-week strike which had idled 1,200 at Crockett, Calif.

In an agreement patterned after that between United Auto Workers (CIO) and auto companies, California & Hawaiian and its union signed for a 5¢ pay hike, SUP, broadened vacation pay, and an eighth holiday.

The SUP plan—one of the first outside the auto industry—differs from the "pattern" in one significant way: It isn't backed by a formal fund financed by a cents-per-hour payment by the employer. Instead, the corporation merely guarantees to pay supplements—if allowed to by law—insuring any laid-off worker up to 65% of normal take-home pay for 25 weeks after a two-week wait.

Judging by past experience, SUP shouldn't prove very costly for the corporation. Layoffs of two weeks or more have been rare.

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Italy's Hopes Soar As Economy

As recently as two summers ago, visitors in Italy heard only pessimism from Italians wrestling with their country's economic problems. "Our country is poor; we have too many people to feed," they said. "Emigration is the only solution. We must persuade other governments to take our people, let them develop other countries. There is nothing to develop here."

Today the theme has changed. The visitor finds new hope through all of Italy.

• **High Hopes**—For the first time in modern history, Italians are beginning to believe that there is a future for them at home. Above all, there is hope that the South, for centuries a gigantic poorhouse, can become a partner rather than a millstone to the industrial North. Indeed, the "two Italys"—North and South—may some day become one.

Outsiders are encouraged. Diplomats and strategists have watched, with great relief, the waning power of Italian Communists. To them, the importance of

a democratic Italy to the Western alliance, if not to Western civilization, can't be exaggerated. Businessmen—Americans among them—agree, and, in addition, see new appeal in the Italian market, upgrading itself and offering opportunities for expanding trade and investment.

• **Qualifications**—You must qualify hopes for Italy's new era. The government of Premier Antonio Segni, which won an initial vote of confidence this week, is not likely to be a strong one. Like many postwar governments, it is a makeshift concoction of pressure groups. The issue of state versus private development of Italian oil is an example of how politics stalls progress.

There's no question that the Segni regime—and others to follow—will be dedicated to pushing Italian development. And they will make progress. But the progress often will be halting, and the price for factionalism and instability will be high.

The second qualifier is this: The new

green shoots of economic growth must be evaluated against the arid background of Italy's poor economy. Italy supports 48-million people on a land area about the size of California, which has 12-million. Yet Italy has substantially less water potential, and is short of food, fuel, many industrial raw materials. Experts studying Italy sooner or later conclude that Italians may never enjoy a high standard of living in the U.S. sense.

• **Relative Improvement**—But within limitations, a lot can be done in Italy. Dependence on imports already is being reduced. It should be possible to raise per capita income in the North from the present \$500 to perhaps \$650; in the South from the present below-subsistence \$100 to \$250. The relative improvement would be tremendous, and could make the difference between a chaotic totalitarian Italy and a democratic one.

While the mass of Italians may never own ranch wagons and cozy suburban



Makes Upward Lunge

homes, they should be able to afford motorscooters and decent housing.

I. Economic Renaissance

The ubiquitous motorscooter might well be the symbol of Italy's mid-20th Century renaissance. Where there were 300,000 scooters and motorbikes in 1938, there are 3-million now. As one of Italy's most successful exports, their determined putt-putting is familiar the world over.

Contributing Factors—A number of factors have combined to produce a new era. Certainly \$3.5-billion in U.S. economic aid has helped in modernizing and expanding Italy's industrial plant. The drive to free intra-European trade, which has found Italy in the vanguard, has benefited the nation mightily. Italian steel mills probably have gained more from the European Coal & Steel Community than any others in Europe. The growing importance of the Mediterranean is being felt, and Italians are

taking a larger role in the trade flowing from Europe past the oil countries of the Middle East and on to newly independent Asia.

Italian businessmen have jumped at the new economic opportunity. Following the example of great firms like Olivetti (business machines), Montecatini (chemicals), Necchi (sewing machines), they are re-equipping plants and sales organizations and plunging into world competition.

At home, a mass consumer market, neglected in favor of arms and colonial empire during the 1930s, is stirring. Besides scooters, there are more than 1-million autos in Italy now, compared to 200,000 in 1938. Sales of electrical household gadgets have doubled annually in the past few years. Between 1953 and 1954, consumption of non-essential foods rose 17%.

Industrial production is not far from twice the 1938 level. In the first quarter of 1955, it was 95% over 1948. Wages are up 53%, savings 300%, and

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cost of living only 22% in the past seven years.

• **Rich Discovery**—New oil and gas fields in north central Italy and Sicily are becoming a major force in the economy. Natural gas production has soared to the equivalent of 6-million tons of coal yearly; 2,000-mi. of pipelines link the fields with industry in the north.

International confidence is rising, and last year probably saw \$15-million in new U.S. investment in Italy; to say nothing of French, Swiss, and other European capital. This month the Export-Import Bank made its first loans (\$7-million for steel development) to Italy in three years, and May brought a \$70-million World Bank credit for development of the South.

II. Turning Tide in South

Over-all statistics mislead; they ignore the economic fact of two Italys. For centuries the lands south of Rome—called the Mezzogiorno—and the islands of Sicily and Sardinia have been a world apart, dirt-poor and despairing.

People of the South, 37% of the population, reproduce themselves twice as fast as Northerners; they eat a good deal less than half as much meat. With almost full employment in the busy North, nearly all of Italy's 2-million officially unemployed—and at least twice as many more permanently underemployed—live in the South.

• **Plan Takes Hold**—But the tide has turned in the Mezzogiorno. Italy's ambitious 12-year plan for the development of the area, now in its fifth year, has begun to take hold.

In economic terms, the southern program aims at balancing Italy's food imports and exports, raising living standards through land reform, crop diversification, a vast public works program, irrigation, industrialization—to cost upwards of \$2-billion by the 1960s. You can see the pay-off on a few acres of newly irrigated land; or in figures that show Sicilian farm production up 60% over 1938, or in a 1953-1954 increase in domestic power consumption of 43% in the South, compared to 9% in the North.

Public construction has already created thousands of new jobs in the Mezzogiorno; industry is being offered incentives, and slowly is setting up shop in the South to cash in on lower wages and a growing market. Textile producers say new demand in southern Italy has helped them ride out the world recession. In some areas, new businesses are exempted from taxes, and with help from the U.S., various agencies are prepared to loan up to 70% of the capital for new enterprises.

This activity is putting a dent in southern poverty. The problems and the costs that a poor nation like Italy



ST. JULIAN DAM, under construction near Matera, will irrigate 9,000 acres of land.

must face in its development are tremendous. Admittedly there's waste, and many projects are "uneconomic" in the sense that the ratio between capital invested and eventual output is high. But Italians are convinced that high-cost production is better than none when you have 10% of the population virtually jobless.

• **Ingenuity**—Financing the southern program will strain Italy, despite help from outsiders like the U.S. and the World Bank. But Italians are using ingenuity to make the most of their limited resources. The \$70-million World Bank loan, for example, probably can be serviced entirely from the proceeds of a fruit-juice freezing plant now being built in the South. There's growing demand for frozen juice in the new consumer-oriented economy of West Europe. And there are some fat forward contracts for frozen lemon juice from U.S. buyers.

On the other side of the coin, several U.S. firms are considering investing in the South.

III. Investment

The South's program and the new 10-year economic plan of Budget Minister Ezio Vanoni (which aims to create 4-million new jobs throughout Italy by maintaining the 5% yearly rise in national income) depend a lot on foreign investment—loans as well as new enterprises. This dependence points up the importance of a new law that would abolish all exchange restrictions on the transfer of capital and dividends if the money is invested in productive business. Many investors doubtless are waiting for the law's passage (likely in the fall); meanwhile, more European and U.S. businessmen are visiting Italy to look over opportunities.

• **Limited Potential**—The over-all potential for big U.S. investment in Italy's high-cost economy is limited. Yet there's room for expansion.

U.S. direct private investment in

Italy stands at something over \$100-million. Half of that is in oil, the rest in manufacturing, trade, distribution. A more precise idea of what Americans are interested in shows up in the list of investment guarantees (against inconvertibility of exchange and expropriation) issued by the U.S. government. Among those on the list besides the oil companies (Caltex, Jersey Standard, Socony) are American Home Products (pharmaceuticals); Associated Seed Growers Inc.; National Biscuit; Olin Mathieson Chemical Corp.; Otis Elevator; Raytheon Mfg. Co. (electronic tubes); Westinghouse Air Brake (rail equipment).

That a total of \$44-million in investment is guaranteed against inconvertibility reflects the caution with which the Americans are risking their money.

• **The Risks**—There are institutional, as well as financial risks. A recent Commerce Dept. study sums up Italy's business organization this way: "Nearly all of Italy's basic industries are monopolies or oligopolies that tend to exclude competition, restrict production, and restrain trade."

The warning is clear: The tightly controlled structure of the economy could make it difficult for the unwary outsider to get a foothold.

The question of state control, which has shown up most dramatically in oil, is a major issue in Italy this summer. Earlier in the year a joint enterprise of Gulf Oil Co. and Italy's Montecatini (BW-Jul.16'55,p122) struck oil 100 mi. east of Rome—the second major discovery following the Sicilian find at Ragusa in 1953. While the autonomous parliament of Sicily has passed a law favorable to private oil development, Rome is torn by factional battle. A leftwing group argues for enlarging the bailiwick of ENI, the state oil trust, and moderates press for a new law to speed private development.

There the matter stands. Getting a reasonable oil law through is one of Premier Segni's most urgent tasks.

• **Communist Role**—Italy's Communists, of course, are pressing for more government monopoly. Once a powerful state within a state, apparently able to take over Italy in hours, the Communists have lost influence as Moscow has switched to peace, and as Italian living standards rise.

Though divided and confused, Italy's Communists are not to be underrated. They will do their best now peacefully to worm their way into Italy's New Deal, turn it against private enterprise, create a wide, unwieldy state capitalism that they and their leftwing allies can take over.

The liberal reformers and middle-landers will have to keep on their toes. But they—not the Communists—seem now to have time on their side in Italy.

Tight Money: Spur or Rein?



CAMERON COBBOLD

Just five months ago this week, British Chancellor of the Exchequer Richard A. Butler increased the Bank of England discount rate to 4½%. A tight money policy, designed to rein in the booming, inflating British economy, officially began. And so did problems for the bankers, from Cameron Cobbold (picture), governor of the Bank of England, on down to the lowliest loan manager in the provinces.

Butler's policy can be stated fairly simply. He aims to curb spending in Britain by use of monetary discipline alone, through interest rates and the general availability of money in a free market. Last week he indignantly denied Labor insistence that tight money wasn't working, that direct controls on consumption—like rationing, quotas, high taxes—must return.

Monetary restraint, said Butler, is gradually working its way through the economy. And, he added, the banks are cooperating without any special directives from him.

• **Letter to the Times**—How the banks are cooperating is a unique example of how British banking works. The now-famous letter to the London Times from the big British banks (BW-Jul.9 '55,p119), which indicated clearly that they were at last going to clamp down on loans, is something U.S. bankers wouldn't dream of. If they did do it, they might have the Justice Dept. down on them on suspicion of an antitrust violation.

While Butler didn't say so, both the Treasury and the Bank of England had been worrying about the unexpectedly slow working of tight money in a boom climate. Since the policy went into effect, total commercial bank

deposits have dropped sharply—loans, however, have expanded to an all-time high.

A few weeks ago, the banks began to feel the pinch. What had happened was that Governor Cobbold tightened the short-term loan market so fiercely that all rates including Treasury bills shot up (Treasury bills now yield nearly 4%). That attracted business deposits away from banks into bills—and cut deeply into bank resources.

Caught between reduced liquid assets and increasing demands for loans, the banks have sold government bonds—some £250-million worth, 10% of their holdings.

• **Tradition**—The Bank of England did not interfere—except to insist that banks must respect the tradition that 30% of their deposits must be in liquid assets—cash, daily or weekly loans, Treasury bills. One bank that allowed the ratio to drop to 28% was "reminded"—and hasn't sinned since. (In Britain, the 30% is not a strict rule—everything turns on a "gentleman's agreement," unwritten understandings.)

The bankers' letter to the London Times came this way: Banks felt that the money squeeze was catching up with their lending resources, and they feared criticism from customers. "Why," one might ask, "won't you give me a loan when all we hear from the government is talk of prosperity?" Plenty of bankers have hankered after the good old days of Socialist directives on which they could hang the blame. The bankers tried hard to talk Cobbold and Butler into issuing a formal "request" to restrict lending. Both refused. "That's your business," Cobbold is supposed to have said.

The bankers then hit on the public appeal. It was published (reportedly after being shown to Cobbold and Butler, who had no objections) June 30, expressing the "hope that customers will understand the stringency is a matter of public policy, and will cooperate with the banks by keeping credit requirements down."

• **Legal Power**—The bankers didn't like to take this approach. Critics among them complain that Butler won't get up and issue "directives" to the banks on their lending. Under the Bank Act, by which Labor nationalized the Bank of England in 1946, the chancellor has the power to instruct the banking community through the Bank of England. He used it in February to ask the banks to go easy on loans to installment credit houses. He hasn't used it since.

It's an informal system of communication—"hints" and "reminders" passing from the government through the



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financial community. It is a return to the prewar tradition, and disregards the new powers written into the Bank Act. It's the essence of Butler's experiment in freedom. And in it you see some of the differences between British banking and U.S. banking.

British banks have no legal reserve requirements, laid down by law, as do their U.S. counterparts. There's no close supervision of British banking. While tradition calls for British banks to hold 30% liquid assets, it can be in till money, short-term paper. Though U.S. percentages are less, the money must be in the form of deposits with the Federal Reserve—and not as money available in the till.

• **Independence**—The relationship between the Treasury and the Bank of England is not clear-cut. Even though the Bank of England is nationalized, and carries out the policy of the Treasury, it maintains a tradition of independence. It is unthinkable that any disagreement between Butler and Cobbold wouldn't be ironed out behind closed doors.

All in all, a close relationship, a "sense" of what's right, and years of tradition make the system operate.

There are, nonetheless, well-defined lines of communication in British banking. The Treasury is in contact with the Bank of England at all levels. The Bank is the Treasury agent in financing. As a central bank, it has daily management of discounting, bond markets, and so on.

• **Head Man**—Cameron Cobbold is undisputed king of London's "City," Britain's financial capital. There's not a single partner of a bank, broking, issuing, or trading house in the City that wouldn't come rushing if Cobbold wanted to see him. That's the unwritten law.

There's more to it than that, and the highly concentrated nature of British banking makes the machinery function easily. Eleven big commercial banks form the London "clearing" group. They have two joint committees, one the "managers" group that discusses operational matters, the second the "bankers" committee, composed of chairmen (equivalent to U.S. presidents) who meet monthly, holding every third meeting at the Bank of England with Cobbold in the chair. That's where the governor explains his own, and the chancellor's view, on policy. Between meetings, there are informal contacts where views are tactfully conveyed. It was this group that drafted the appeal letter.

The only effect of the letter so far is that the banks have sent reprints to branch managers to show to angry customers. Usually a bank will agree once yearly with each customer on a ceiling for overdraft. Banks hate to reduce the ceilings during the year. And that may be the real explanation why the credit curb has taken so long to affect lending.

Now, as ceilings come up for review, the banks are lowering them.



Motels Move In on Swiss Chalet Preserves

Switzerland's first motel (above) is the first attempt by the Swiss, generally considered the world's best innkeepers, to cater to motorists American-style. Located just outside Interlaken, it has 21 apartment units, a self-service grocery, and a restaurant seating 150

people. A room and private bath for two cost the Swiss equivalent of \$5.95 a night. The proprietors, now building a second installation in southern Switzerland, hope to appeal to European tourists—and Switzerland's 150,000 annual visitors from the U.S.

In Business Abroad

Export Groups and Antitrust: FTC Seeks to Clear Up the Law

The Federal Trade Commission is spearheading an Administration move to clarify just where export associations stand under the law. That's the explanation of last week's FTC ruling that the Webb-Pomerene Act—designed to promote foreign trade through industry-wide cooperation—doesn't O.K. price-fixing between U.S. associations and foreign competitors.

Actually, the issue had been decided as long ago as 1949 when the federal courts ruled the Webb-Pomerene Act doesn't free export associations from provisions of the Sherman Act.

The ruling is seen as the first of a whole series that the FTC will make, explaining just what can and cannot be done by the trade associations. The fact that exporters have had to feel their way in the past through what seemed like conflicting legislation might explain why only 43 export groups—accounting for less than 6% of U.S. exports—have registered under the Webb-Pomerene Act for Washington's aid and support.

Government trade experts believe these export associations often could provide small producers with know-how on foreign markets that they wouldn't have otherwise. But before the associations can be strengthened, Washington will have to lay down the law on exactly how far they can cooperate among themselves and with foreign competitors without violating antitrust laws.

Chase Manhattan Bank to Open Its Own Branch in Lebanon

Chase Manhattan Bank, doing business in Beirut, Lebanon, since 1952 through a Lebanese firm, has decided to open a branch there. It will be Chase's 18th overseas office. Lebanon with a free currency market and its strong clan-ties to Lebanese traders throughout the world is a good spot for Chase to head up its Near Eastern activities, its first venture in the area. It's also another indication of the continuing trend of U.S. firms to use Beirut rather than Cairo as Near East H.Q. because of the Egyptian capital's tangled red-tape.

Travelers Say Russians May Lead U. S. in Atomic Booster Study

Travelers, technically competent to evaluate what they read, are returning from behind the Iron Curtain saying that the Russians may well be ahead of U.S. scientists in at least one important class of atomic investigation. This is in a field of basic research, the study of matter through the use of extremely high velocity accelerators of atomic particles.

When Brookhaven National Laboratory put its 2-billion electron volt cosmotron into operation in 1952, it was the most powerful atom-smasher in the U.S. But articles in recent Russian technical publications indicate the Reds as early as 1949 had an accelerator 50% more powerful.

We have since built a more powerful accelerator at the University of California, and are building others. We don't know, but it's likely the Russians have advanced, too.

Tariff Commission Renews Demand for Boost on Bikes

The U.S. Tariff Commission has tossed the bicycle issue right back in Pres. Eisenhower's lap after reconsidering and then standing by its earlier decision (BW—May 21 '55, p128). In a three-to-one decision, the commission advised a 7½% to 15% hike. It based its recommendation on new import figures; 74% higher this year than last. It also pointed out that domestic production had dropped to 81,700 bikes a month from 107,000, the monthly average for 1950-54.

Betting is that the President will go along with the commission's recommendation—but probably not until after Congress goes home (page 115).

Business Abroad Briefs

Commercial TV for Britain, a long time coming, got another setback this week: The Independent Television Authority has withdrawn a contract from one of the four chosen program producing companies after its financial backing evaporated.

Celanese Corp. of America has set up shop with Mitsubishi Rayon Co. to produce acetate in Japan.

Germany's first postwar hot strip mill has been inaugurated by August Thyssen Steel Works at Duisburg, the Ruhr, West Germany.

Edward P. Mellon, II, chairman of Mellon-Stuart Co., and officials of Pittsburgh's Mellon National Bank & Trust Co., are considering investments in Nicaragua after a junket there earlier this month.

Pemex, the Mexican government's petroleum trust, has passed another milestone: It inaugurated new facilities doubling the capacity of its Mexico City refinery. It's part of a \$100-million expansion program.

Japan's exports for the first six months of 1955 have hit a postwar high: 23.2% more than in the same period in 1954, or \$888.7-million.

A joint project to build a refractories plant producing fireclay, silica, and basic refractories in Lima, Peru, has been announced by Harbison-Walker Refractories Co., Cerro de Pasco Corp., and Miguel Dammert Muelle of Peru.

Austin Motor Company Ltd. (part of the British Motors Corp. group) announces it will produce another \$20-million order of "Metropolitan" cars for Nash in the U.S. Austin has already shipped \$14-million of the junior size vehicles built exclusively for the American market.

THE MARKETS



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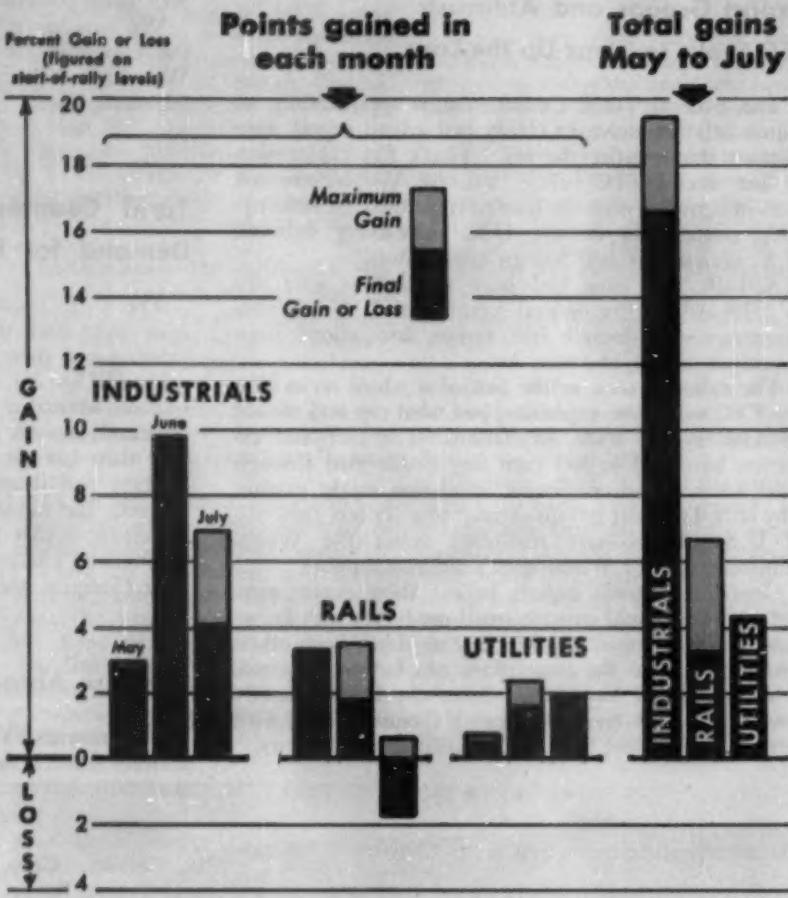
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THE SUMMER RALLY: Box Score Today



Date: Standard & Poor's Corp. Daily Stock Price Indexes.

BUSINESS WEEK

Pressures From All Sides

This week, Wall Streeters needed the eyes of Argus to keep themselves aware of the increasing number of forces bearing on the stock market. Most of their attention was focused on Geneva; uncertainties about the outcome of the "meeting at the summit" were reflected in the market's shakiness late last week and in the first part of this week.

Besides Geneva, Streeters had plenty of other gauges to watch in attempting to judge the force of market pressures. Second quarter earnings figures started rolling in, generally at least as good as expected. Merger rumors continued to buffet the Street (page 116), with sharpshooters plugging away at supposed merger principals in nearly the same fashion that was prevalent earlier

in the year. And there was the technical action of the market itself.

As the chart above shows, the summer rally has slowed up appreciably. So far in July, Standard & Poor's 50 industrials have shown a gain of less than 4%—and now stand about 3% below the summer rally high—compared to the June gain of nearly 10%. The rail index stood about 2.4% off its June close at mid-week, and the best gains of all had been racked up by the utilities—normally the slowest moving of the three indexes, and a haven for "defensively minded" investors.

• **Mild Reaction**—How much effect the Geneva conference is actually having is hard to say. One Streeter morded this week that, "I shouldn't think the mar-

ket would pay any attention to the conference at all—it has seen too many of them turn into nothing but debating sessions."

Actually, the so-called "war" stocks didn't react particularly violently to the friendlier atmosphere at Geneva or to Premier Bulganin's conciliatory attitude.

The most heartening news for Streeters made wary by the uncertainties of Geneva and by the market's recent

vacillations comes in the form of second quarter earnings figures. While good earnings didn't produce any sharp upward boosts for most issues—indeed, du Pont, Youngstown Sheet & Tube and railroads generally were off in the face of fine earnings—they should mean increased dividends. This is a refreshing thought to investors who have become increasingly restive since yields on industrials have dropped well below 4% recently.

Summer Rally Gains Had Been Sharp . . .

. . . but now only 15 of the 50 are above June's close . . .

STANDARD & POOR'S DAILY AVERAGE OF 50 INDUSTRIAL STOCKS

	May low	May close	June close	Recent level	Summer rally Gain
American Smelting	\$46.00	\$48.50	\$50.50	\$51.87	12.8
American Tobacco	68.50	68.62	68.25	70.75	3.3
Bethlehem Steel	127.25	132.25	142.37	151.50	19.1
Chrysler	73.62	75.25	80.75	89.12	21.1
General Motors	93.12	96.87	109.12	125.62	34.9
International Harvester	36.50	37.50	39.00	39.75	8.9
International Nickel	63.37	69.37	71.62	73.37	18.8
May Dept. Stores	38.50	37.25	39.75	40.25	13.4
National Cash Register	40.37	41.00	40.75	42.00	4.0
National Dairy	39.62	39.87	41.87	42.12	6.3
Sears, Roebuck	81.37	86.87	93.75	100.12	23.0
Standard Oil (Calif.)	75.25	76.75	85.50	91.62	21.8
Standard Oil (N. J.)	110.87	112.25	128.50	135.87	22.5
Texas Co.	90.25	91.62	102.00	102.37	13.4
Woolworth	45.75	47.00	48.75	49.87	9.0

. . . and 17 more are below that mark . . .

American Can	38.25	40.62	43.75	42.12	10.1
American Radiator	21.75	24.12	26.50	25.50	17.2
Burroughs	27.62	29.25	33.00	31.00	12.2
Cincinnati Milling	61.00	63.75	69.25	66.00	8.2
International Paper	96.50	102.25	111.00	106.75	10.6
Kennecott	102.50	109.00	118.00	117.12	14.3
Loew's	19.87	21.00	23.12	22.87	15.1
Monsanto	41.66	45.75	48.00	46.12	10.7
St. Joseph Lead	44.00	47.75	53.25	49.50	12.5
Standard Brands	38.37	39.00	39.87	39.75	3.6
J. P. Stevens	24.25	25.50	28.12	27.75	14.4
Twentieth-Century Fox	27.50	29.75	30.25	29.87	8.6
Underwood	33.00	37.12	42.37	39.12	18.5
Union Carbide	89.25	92.75	102.00	96.13	7.7
U. S. Gypsum	250.00	260.00	280.50	277.00	10.8
U. S. Steel	39.87	42.00	54.37	53.25	33.6
Westinghouse Air Brake	25.75	26.37	29.50	28.50	10.7

. . . while the rest lag behind their May closing prices . . .

Allied Chemical & Dye	98.00	115.00	119.75	112.62	14.9
American Airlines	25.50	27.87	28.25	26.87	9.4
Armour	14.25	15.25	16.62	14.75	3.5
Celanese	22.00	23.75	24.12	23.62	7.4
C. I. T. Financial	44.87	48.37	47.25	46.25	3.1
Commercial Credit	49.75	55.00	53.75	54.25	9.0
Dow Chemical	49.25	55.75	57.75	54.12	9.9
Eastman Kodak	78.50	80.75	80.62	78.75	0.3
General Foods	82.75	84.75	82.50	82.75	0.0
Goodyear Tire	57.87	62.50	60.37	58.75	1.8
Johns-Manville	82.00	84.25	86.50	82.75	0.9
Lone Star Cement	56.50	62.12	64.50	62.00	9.7
National Biscuit	40.12	42.12	41.50	41.12	2.8
Radio Corp.	42.25	52.00	51.87	50.50	18.1
Schenley Industries	22.25	22.87	23.12	22.25	0.0
United Aircraft	66.00	73.25	71.00	68.25	3.4
U. S. Rubber	44.00	47.25	48.25	46.12	4.8
Westinghouse Electric	67.50	68.87	68.50	65.62	-2.8

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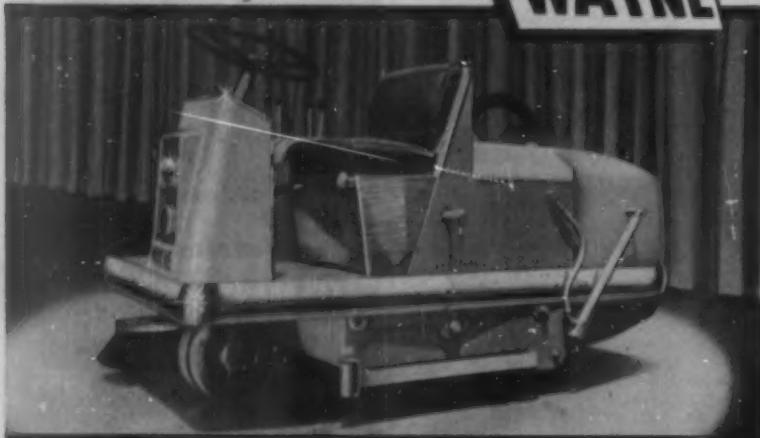
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Wall St. Talks . . .

. . . about gyrations of individual stocks . . . Westinghouse earnings . . . Seeger-Whirlpool merger.

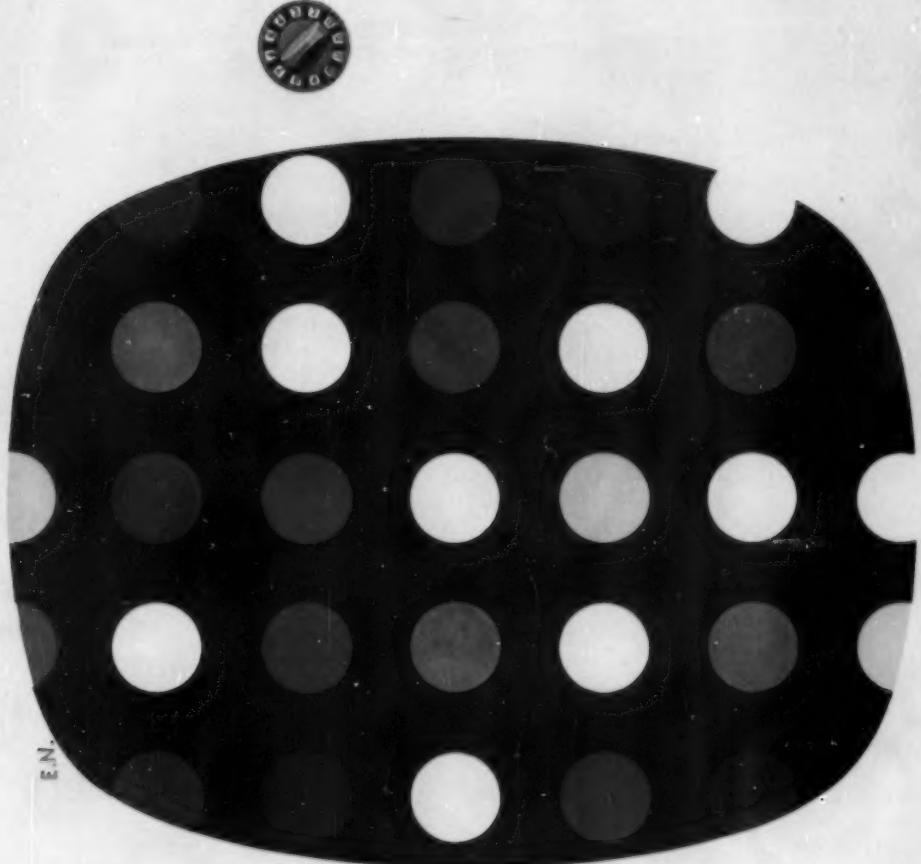
Veteran traders haven't overlooked the recent sensational gyrations in a growing number of individual stocks. They have long memories (too long to realize today's bull market is an unusual affair, claim many of the postwar crop of market students) and they haven't forgotten that such capers in the past often preceded important market tops.

Westinghouse Electric earnings won't run much above \$3.50 this year vs. 1954's \$5.06-per-share net. That's the current guess of "smart" Streeters. It's going to take some time, Streeters say, before Westinghouse recovers from the price war in heavy utility equipment staged early this year by the trade's Big Three (page 110). Paine, Webber, Jackson & Curtis figures this "resulted in price reductions of almost 20% overall in new utility business 'booked' then."

Who was in the know?—That's what annoyed Streeters have been wondering ever since the Seeger Refrigerator-Whirlpool Corp. merger announcement (page 52). Raising their ire: The \$8.50 (18%) zoom of Seeger shares on extra-heavy volume the last trading day before the news broke. They find it hard to believe that many run-of-the-mill traders benefited from that price jump.

Margin trading still climbs. Customers' net debit balances of Big Board member firms handling margin business totaled \$2,757,883,228 as June closed, or some \$26.6-million above the end-of-May figure. Customers' credit balances totaled \$917.5-million on June 30, off \$10-million from May.

Merger and purchase rumors continue to abound. Some of the latest: Monsanto Chemical is eying Lion Oil with marriage in mind . . . Raytheon Mfg. is being wooed by several unknown admirers . . . Interchemical Corp. soon will announce the purchase of one large and several small companies and make stock-split proposals . . . Bellanca Aircraft "likes" Waltham Watch. Officials deny they've been buying any Waltham shares, but the Street hears "if enough is gathered in at the right price by the right people" Bellanca will be glad to bid for the block.



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Source: Publishers Information Bureau

PERSONAL BUSINESS

BUSINESS WEEK
JULY 23, 1955



First impressions mean a lot, both socially and in business. Much of that impression comes from the physical appearance of home or office.

It's wise for an executive to stand back and take a fresh look at his office in these terms. Chances are he will find that a change, simple or elaborate, is called for.

This doesn't necessarily mean that an office should be fancier, richer, more lush than it is now; what you decide to have done—if anything—depends on many factors.

Rule 1: Your office should reflect both the kind of work you do and your own personality and character. For example: If your job requires that you have six telephones, you can't very well have an office with no place to put them within easy reach. If you do a lot of paper work, you'll need a desk, or its equivalent.

On the other hand your job, the physical layout itself, and your own wishes may indicate an office that resembles your game room at home. Or perhaps the same circumstances may dictate a decor that reflects your plant. In other words: Who, what, and where you are should figure strongly in your decision as to what you do with your office.

Also, certain company restrictions may prohibit your doing specific things you would like to do, in terms of decoration. But with a little thought and intelligent consultation, you'll find that a lot more can be done than you realize.

Once you meet the basic requirements, it's important that you satisfy your esthetic sense. Thus your personality as an individual and your character as an executive are important considerations in a happy result.

But how should you go about getting your office redecorated? There are two broad steps to take:

- Consult professional decorating magazines—(such as *Interiors*, *Interior Design*, and the like). These should give you an idea of the kind of decoration you prefer—contemporary or traditional.

- Get the advice of a professional designer. You will lose time, money, and effort if you or some other amateur tries to do it.

Two good sources of professional designers: The American Institute of Decorators, whose members are professionally recognized throughout the country; and the Executive Furniture Guild, a nonprofit association of dealers specializing in office furniture and design.

The latter group will make recommendations and suggestions without charge. This service is based on the possibility of your eventually buying their equipment.

A professional designer, on the other hand, charges a minimum of \$25 an hour for consultation. But if you hire him to do the job, there is no consultation fee; he'll charge either on a fee-per-room or a percentage basis for the work to be done.

Get three things firmly in mind before a designer comes to your office: (1) the extent of the work you want done; (2) how much you want to spend; (3) what tangible results you expect to get (a more restful room, more efficient use of space, better lighting, and the like).

Look at other offices your consultant has decorated. And if you know of a particular office that appeals to you, take your designer to see it so he can visualize what you have in mind.

PERSONAL BUSINESS (Continued)

BUSINESS WEEK
JULY 23, 1955

This doesn't mean that the decorator should decide the theme or tone of your office. You should definitely do that, since you're going to live with it. But you can leave the details to him. A good designer has a professional knowledge of color, lighting, and furniture arrangement, which you as a layman don't have.

Probably the most important factor in redecorating is color. Give the designer as clear an idea as you can here on what is most pleasing to you.

Note this trend: Fabrics are being used more than ever in redecorating offices. Drapes, upholstered furniture, carpets create a feeling of ease and comfort. But avoid using too many textures, colors, and materials—you'll lose the effect if you do.

—•—

Trees are an important physical and financial asset if you plan to buy or sell a house.

Real estate authorities say that homes with trees generally sell faster and at a higher price than comparable property with no landscaping. Thus if you plant trees on your property, there's a good chance of your getting back what they cost when you sell.

Furthermore, you can get a tax break as the result of planting trees. Internal Revenue Service considers landscaping a permanent improvement to a home. So when you sell, you can add the cost of any trees you have planted (as long as it's within reason) to the initial cost of your house. This lowers your capital-gains tax.

What about buying a house that already has trees around it? You may pay more—but you also may be able to get a higher mortgage. That's because the property probably will be appraised at a higher value than property without trees.

Not all trees, of course, have an effect on the value of property; it depends to a great extent on their size, type, and the location in which you live. However, experts say that it's fairly safe to assume that you will get back any investment in trees that runs between 3% and 4% of the total value of your property. Finally, you'll probably have less trouble selling a tree-shaded home.

—•—

Motorists will have to worry less this summer about making motel reservations in advance. American Automobile Assn. says that there are an estimated 50,000 motels and motor courts—which means plenty of accommodations for the estimated number of travelers.

Here's a point to keep in mind, incidentally, if you use the AAA Accommodations Directory: If you are charged more than the maximum rate quoted in the directory, report it to your local AAA office. You will be reimbursed for the overcharge.

—•—

Manners and modes: Look for more off-whites and blacks, fewer pastel colors in 1956 car models. . . . Breathing a mixture of helium and oxygen makes you work faster and feel happier, says Rear Admiral Charles B. Momsen. The inventor of the Momsen Lung hopes to develop a way to pipe the mixture into offices. . . . There was a slight drop in deaths from cardiovascular diseases in 1954, but they are still the leading cause of death. . . . For \$2,000, top New York executives could join a proposed new luncheon organization called the Pinnacle Club.



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Motor Rebuilder Recommends KLIXON Protectors in Motors

DETROIT, MICH.: Messrs. Henry (left) and Joseph Bilicki (right), co-owners of the RE-NU Electric Company, know what Klixon Protectors do in preventing motor burnouts. Here's what they have to say:

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The KLIXON Protector, illustrated, is built into the motor by the motor manufacturer. In such equipment as refrigerators, oil burners, washing machines, etc., they keep motors working by preventing burnouts. If you would like increased customer-preference, reduced service calls and minimized repairs and replacements, it will pay you well to ask for equipment with KLIXON Protectors.

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In Regions

County Sales Tax Makes Merchants of City Happy and Competitive

LOS ANGELES—For a change, the legislature has given merchants here a sales tax to be happy about.

The tax is a 1% "permissive" levy that counties can slap on the retail traffic within their borders. What makes Los Angeles City merchants happy is that it probably will go into effect in Los Angeles County. That should end the advantage that storekeepers and dealers outside the city have had since Los Angeles jacked its sales tax from 3% to 1%.

Auto dealers, particularly, have complained that business has been trekking outside the city, rather than to it. They say the \$20 to \$25 tax on a low-priced car has been just enough to tip the scales in favor of the noncity dealer.

Parking Palace Under Boston Common Nearer—But Where's the Cash?

BOSTON—An issue that dates back almost as far as the auto age itself—whether to build a parking garage under the historic Common—looked last week as if it were finally going to be resolved.

Fought over and campaigned over for more than 25 years, the garage is still a good car's length away from being built. But even Bostonians—who will believe it when they see it—are conceding that it seems closer than ever before. This was its status:

- The Park & Recreation Commission was ready to sign a contract with Motor Park, Inc., which has said it would build the garage with 3,700 parking spaces.

- Boston's Mayor John B. Hynes has all but approved the contract in advance.

- Motor Park will have 90 days after the signing to furnish a bond and start actual construction on the site. The big hurdle now is financing.

Since it was first proposed in 1928, the Boston Common Garage has become virtually a cause célèbre throughout New England. It has been attacked as a desecration by historical societies, has been fought all the way to the U. S. Supreme Court (which refused to hear the case), and has bounced back and forth so many times between the legislature and the city that even the finger-counters have lost track.

The present plan for the garage grew out of an O.K. that the legislature gave in 1946 to build it with private money. James Michael Curley, during the last of his perennial terms as mayor of Boston, gave exclusive rights to develop the garage to Motor Park, Inc., an organization that has had several backers but now has one majority one—John Fox, publisher of the Boston Post.

During the six years that Hynes has been in office, Motor Park got nine extensions of time to arrange financing, but met none of them. This year, Hynes began to show signs that he had had enough. When the legislature met, he filed two bills to allow the garage to be built by an authority. Though the authority plan passed the House, it ran into a storm in the Senate—stirred up mainly by Sen. John E. Powers, who is after the Boston mayor's job this fall. Eventually, the Senate tabled it, Hynes straddled by

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saying he wanted the authority only as "insurance," and the city then announced it was ready to sit down with Fox and talk contract.

At this point, the real test seems to be whether Motor Park can raise the estimated \$11-million to \$15-million that it will take to finance construction—and whether it will be able to get a required completion bond from a bonding company. Despite its readiness to sign a contract, the city seems to be skeptical. "It boils down to a question of dollars and cents," William L. Baxter, city corporation counsel, said last week. "A bonding company must be satisfied that the project is financially sound and practical and feasible. If they aren't they won't give the bond, and the garage won't be built."

In editorials, Fox has put the cost of the garage, including a tunnel under the Public Garden, at \$11-million.

To many people that seems low, especially in view of the "underground palace" look of what he has proposed. In fact, a few of Boston's traffic experts—among them some who feel the garage would be a waste of money, anyway—believe somebody, if not Fox, is trying to make the project look ridiculous.

• • •

Ohio Curbs Freedom Of Utility Lines to Roam

COLUMBUS—Public utilities operating in Ohio lost a last-ditch fight last week for the right to build railroads or string power lines wherever they please.

The verdict came when the legislature upheld Gov. Frank Lausche's veto of a bill that would have exempted utilities from the authority of regional planning commissions. The bill, aimed at overriding a decision by the Ohio Supreme Court, had sneaked through the legislature in the closing days of the regular session.

Said Philip Sporn, president of American Gas & Electric Co.: The veto may force Ohio Power Co. to "seriously curtail" a planned expansion in the Lima area, which involved a new southeast to northwest line. Said the planners: Plenty of other routes for the line are available.

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Shows how to use communication channels for better relations both within the executive group and between front-line supervisors and men on the line. Covers interviews, meetings, conferences, selling, etc. By B. C. Phillips. 280 pp., \$3.75.

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The Income Pattern: Business Week's Regional Income Indexes

U. S. Incomes: Up 4.8% From Last Year



Federal Reserve District	% Change vs. year ago	The Indexes		
		May 1955	April 1955	May 1954
1. Boston	+3.0%	257.9	257.7	250.5
2. New York	-1.0%	266.6	267.9	269.3
3. Philadelphia	+1.5%	272.5	273.2	268.6
4. Cleveland	+7.4%	307.8	304.7	286.5
5. Richmond	+6.6%	336.3	333.8	315.6
6. Atlanta	+9.6%	401.9	397.3	366.8
7. Chicago	+5.8%	326.4	321.9	308.5
8. St. Louis	+4.8%	312.1	307.2	297.9
9. Minneapolis	+1.9%	328.2	329.2	322.1
10. Kansas City	+5.4%	392.8	390.6	372.8
11. Dallas	+8.8%	450.8	441.9	414.5
12. San Francisco	+6.9%	358.3	354.1	335.3
Nation	+4.8%	321.1	318.8	306.4

1941 = 100; adjusted for seasonal. May figures preliminary; April revised.

A Sixth New Peak

U. S. incomes set another record for May, 1955. It was their sixth consecutive new high, according to BUSINESS WEEK'S Composite of Regional Income Indexes. Only one of the 12 regions—New York—had a May, 1955, income index that was lower than the index for May last year. Only three other regions—Boston, Philadelphia, and Minneapolis—made showings poorer than the national average in the year-to-year comparison.

For the nation, the income for May, 1955, was 4.8% above May, 1954. The steepest jump came in Atlanta, where the gain was 9.6%.

From April to May, 1955, U. S. incomes edged up 0.7%. But for

New York, Philadelphia, and Minneapolis again, incomes were just below their April levels. And in Boston—fourth from the bottom in both the month-to-month and year-to-year comparison—income was up only 0.1% from April to May.

You get pretty much the same picture from figures of department store sales through the nation: The four regions lagging in income are lagging in these sales, too. Among the reasons for this are strikes in the Boston district's textile mills, slightly reduced employment figures in New York and Philadelphia. In the largely agricultural Minneapolis district, recovery has not reached farmers to any great extent.



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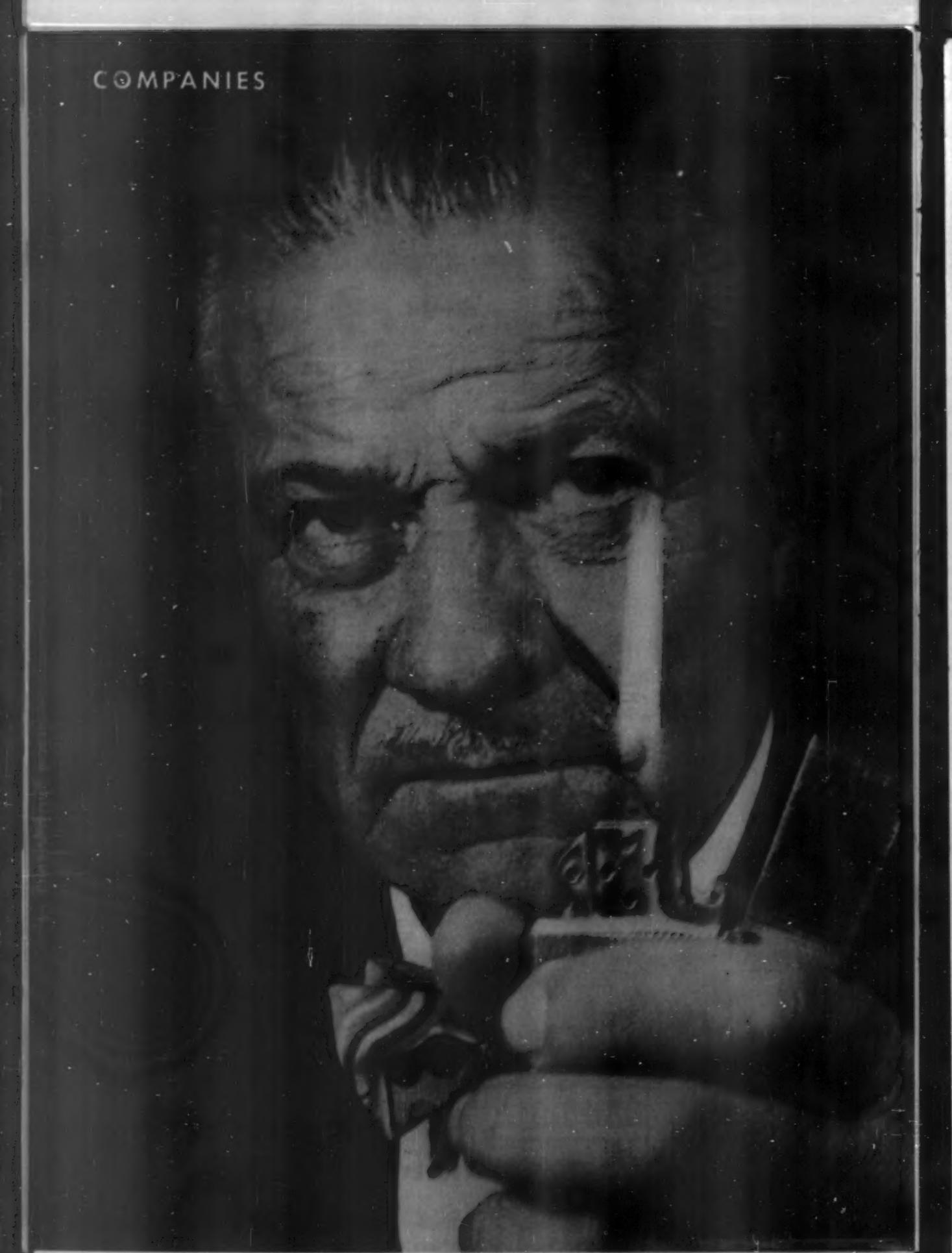
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COMPANIES



The twirling thumbs of 4-million customers put Zippo lighter chief George G. Blaisdell (left and below) on top of the pile in the U.S. cigarette-lighter industry. Blaisdell keeps his company's figures a strict secret but informed guessers reckon Zippo Mfg. Co. is well within the \$4-million class. Twenty-three years ago, at a Bradford (Pa.) dinner party, Zippo grew from this . . .



IDEA: An Austrian-made lighter (left) that was ungainly—but worked. Modern Zippo is at right.

Zippo: Built on Restless Thumbs

Bustling George G. Blaisdell, whose picture you see on these pages, is undisputed king today of the U.S. cigarette lighter industry. Certainty that he has swept aside pretenders to that role came to him not long ago when the industry's sales for last year were figured and he found that his Zippo lighters, selling at a rate of around 4-million a year, are now moving way ahead of Ronson lighters, Zippo's only close competitor.

Such an event would be a mighty shot in the arm for any businessman, and George Blaisdell, reasonably enough, saw it as good cause for celebration. He built a new headquarters office and a new manufacturing plant for his Zippo Mfg. Co. at the company's home at Bradford, Pa.

Just a couple of weeks ago Blaisdell—who's president and, for all practical purposes, owner of Zippo—and his office staff moved into the ultra-modern

three-story office building that's enclosed in black Carrara glass and carries mammoth made-to-scale Zippo lighters on each roof corner and one truly giant one (branded with Blaisdell's initials G. G. B.) above the main doorway.

Blaisdell hired interior decorators to furnish the building. But one of the decorators nearly wept when, after fixing everything just so in Blaisdell's own office, he saw Blaisdell enter, his



BLAISDELL gives light to Bradford banker H. D. Redfield. Bank once advised Blaisdell to sell out.



PRE-WAR succor for Zippo came from E. G. Holland (right), poolroom owner, who moved Zippos as punchboard prizes.

Sheppard

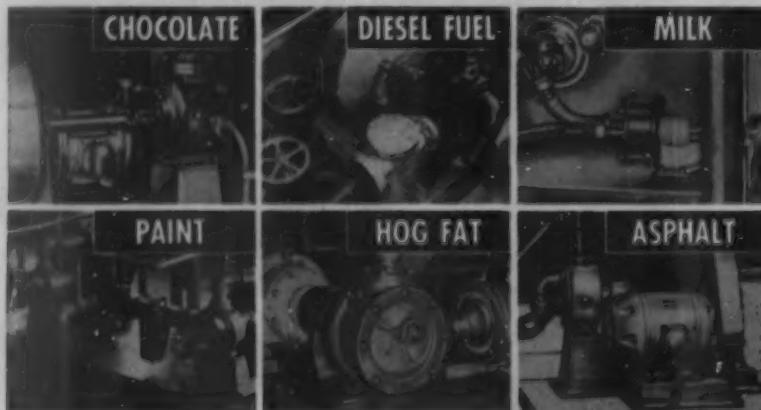
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arms full of framed mementos that were to be hung on the walls. Among them was the \$1 bill that came to Blaisdell 22 years ago with the first mail order for a Zippo lighter. There were other mementos, too: framed columns written by war correspondent Ernie Pyle extolling the virtues discovered in Zippos by the troops of World War II; three badly mangled Zippos given by veterans who swore the bullets that wrecked the Zippos would surely have been lethal had they not first struck the steel-cased lighter; half a dozen signed photographs of favored personalities; a certificate attesting to Blaisdell's hole-in-one made on the country club course in October, 1951.

Though the decorator was distressed by these things they were, after all, the scraps from the past that you'd expect to find along the office walls of a man who dreamed up such a thing as a sturdy, uncomplicated, non-automatic lighter.

At 60, the sturdy, uncomplicated extrovert Blaisdell is sitting happily atop the crest of a wave.

I. Genesis Over Cocktails

It all began at a dress-up dinner-dance party at Pennhill Country Club, outside Bradford, back on a hot summer night in 1932. One of Blaisdell's friends, faultlessly dressed for the party, hauled from his pocket a 25¢ Austrian-made cigarette lighter. It had an oval brass case, three inches high, and the lid of the case had to be removed before the lighter could be sparked. To Blaisdell's mind the lighter was an ungainly piece of machinery in such surroundings. He said: "If you have to use a lighter why don't you get one of decent appearance?" His friend's reply was simply: "It works."

Blaisdell was well aware that plenty of the \$10 and \$12 lighters being marketed in those days frequently didn't work. He was aware, too, that his income from ventures in Pennsylvania oil was slipping. And in quick time he became manufacturer's agent for the Austrian lighter, and had the makers chrome plate the case to give it more sales appeal. He tried to sell these for \$1—but there were no takers.

• **Stubborn Theory**—He cut connections with the Austrian firm but retained a stubborn belief in his idea that a lighter that works is a good product and that a good product must sell.

Working from the basic lighter, he redesigned it to fit a rectangular case, installed a hinged lid on the case, repositioned the wheel that strikes sparks from the flint. The hood that surrounds the wick of a Zippo he copied from the Austrian lighter—even to punching in it the exact number of air holes.



FREE REPAIR costs Zippo around \$125,000 a year.

This new product was the Zippo. It was born in 1933, remains almost exactly the same today and Blaisdell swears that as long as he lives it almost certainly will not change. It was priced at \$1 and solicitations went out to tobacco, hardware, sports goods, and jewelry stores—and still it didn't sell. Blaisdell tried a full-page ad in a national golfers' magazine; this brought in three orders. Blaisdell still has the record of his first full month in the lighter business: He sold 82 lighters and his receipts totaled \$62.15.

• **A Contest Winner**—The first glimmer of light came when Ray Johnston, a Pittsburgh tobacco store clerk, showed him a way to get his Zippes moving—as punchboard prizes. The punchboards stood from coast to coast in poolrooms, tobacco and confectionery stores, and hotel cigar stands. The 1,000 and 2,000-hole boards were divided into squares of 250 numbered holes and if you punched either of two lucky numbers in each square you'd win a Zippo. One of the first poolrooms from which Zippos went to punchboard winners was owned by E. G. Holland (picture, page 145), now one of Blaisdell's cronies.

This scheme got the lighters moving. In fact, between 1934 and 1940 (when punchboards were ruled out by law) Blaisdell moved more than 300,000 of his Zippos by this method.

Meantime, he was using other odd twists to spread the Zippos around the nation. Through a boyhood friend who operated the Bradford bus station, Blaisdell saw to it that each long-distance bus driver got a Zippo—and that the driver demonstrated its windproof qualities to his passengers at each stop.

• **Beginnings**—Of course, none of this got Blaisdell very far very fast. And



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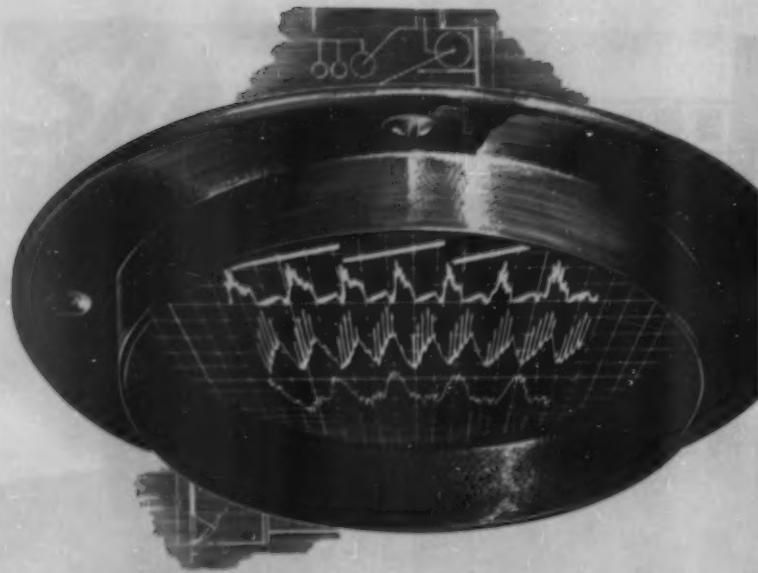
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ZIPPO starts on p. 144

his fortunes had been taking a considerable beating in the preceding months. He was a Bradford boy and had grown up right in the middle of the wild scramble for Pennsylvania oil. He came from a fairly well-to-do family; his father owned the Blaisdell Machine Co., which supplied drilling outfits. When young George Blaisdell finished fifth grade he informed his father he wanted no more school and had decided to go to work instead. His father instantly bundled him off to a military academy where it seemed that further education might be beaten into George's noggin. It wasn't. George reacted violently to the academy, and, after keeping the place in a commotion for two years, he was tossed out.

His father, determined not to have a loafer in the family, put him to work as an apprentice machinist at the family's plant. This didn't keep George tied down long, either, but it did give him a basic knowledge of metal working that was to make his road a lot easier in later years. After he quit his apprenticeship he took to selling machinery. Early in World War I he took charge of his father's company. Then, in 1920, he sold it. He put his share of the money plus some of his wife's (she was the only child of another well-to-do Bradford family) into oil. For 10 years the Blaisdells lived well. Then came the decline of Pennsylvania oil, the Depression, the early losses from his Zippo lighters—and, by 1934, he was scraping his funds right out of the bottom of the bin. Today, he laughingly tells how he frequently used to kite checks on Bradford banks (he's now a director of the Bradford National Bank) to meet his payroll.

II. The Big Break

But, quite suddenly, in 1936, the whole course of his business changed radically. He got an order from an Iowa life insurance company for 200 Zippos, properly engraved, to be presented to contest prize winners among its salesmen. Right away Kendall Oil Co., in Bradford, bought 500 more as presents for its customers and employees. (These days the word is that Kendall bought the lighters largely out of friendship for Blaisdell.)

Blaisdell knew a mighty market for his Zippos when he saw one, and businessmen, too, knew a good publicity and public relations gambit when they saw one. The presentation idea dragged



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the ailing Zippo Mfg. Co. upright. World War II put it on solid financial ground. Its lighter's rugged simplicity and absolute minimum of moving parts practically made it the standard lighter all the way from the battlefields back to the Potomac.

Millions at home mailed Zippos to hundreds of thousands of men abroad. And Blaisdell says that if any one event was more responsible for putting Zippo across to the millions, it was references in Ernie Pyle's columns to the lighter.

The next biggest boost came through Blaisdell's free repair scheme. This scheme started almost as soon as Zippos were born. Through it, the company repairs any Zippo lighter—no matter its age or condition. Last year it cost the company \$125,000 to repair the 215,985 Zippos that were sent in.

• Adornments—Today, 60% of Zippo's sales are to companies that use the lighter for publicity and the building of good-will. Zippo's 12-man art department spends full time developing new adornments to spread sales among special groups: lodges, sports clubs, professions. The designs run from a replica of a set of false teeth, put on 1,000 lighters for a Rhode Island dentist, to a baby's nursing bottle put on lighters for a baby-food formula manufacturer.

Two thousand wholesalers today move Zippos through 100,000 retail outlets, in addition to the 20,000 commercial accounts that Zippo services.

• Secret Accounts—Just what all this nets Blaisdell is unknown. He issues no financial data whatever. Every share of Zippo stock reposes in his safety deposit box. Ownership is spread among himself, a brother, his two daughters, three granddaughters, and one grandson. But he explains: "I insist that all Zippo shares be deposited in my safety deposit box. I don't want any of the shareholders using them as bank collateral." Outsiders, working from his sales figures, guess Zippo's volume is in the \$4-million class.

Another financial question to which he gives no answer (since he has none) is: How much is bet yearly on the odds that a lighter will light first shot? But he does give this advice if you have a Zippo, and want to win those bets: Open the top, then move the whole lighter upwards through the air a few inches just before you strike it. Try that, he says, and it's bound to go off first time. The reason is that when you move it those few inches a gas lock inside the windproof hood of the lighter is broken.

Zippo's prosperity means a great deal to Bradford. It makes Blaisdell the big man of surrounding McKean County. But beyond Zippo's yearly payroll of

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ZIPPO starts on p. 144

\$1,125,000 there are Blaisdell's own gifts to the community through the Sarah and Philo Blaisdell Foundation, which he set up five years ago. It has distributed funds for sports facilities, ambulances, flood control projects. Its biggest service is the training and education of the county's retarded children. Blaisdell revels in the warm friendship of Bradford's 18,000 citizens.

• **A Happy Man**—He seeks no diversification, explains: "What the hell, if I had \$20-million on my desk and it was all mine, I wouldn't be any happier."

Until a year or two ago he toyed with the idea of adding other products to his line. Among his earlier schemes was production of an electric shaver. Later he had ideas about table and desk models of the Zippo. But today, even these extensions of the Zippo leave Blaisdell cold. He says: "The mechanics of the Zippo just don't lend themselves to the table model. We tried this field once but then decided it just wasn't for us because we found we would have had to sacrifice lighting quality and dependability—and that we'll never do." It's a possibility that Zippo may some time produce a smaller model of the present Zippo aimed at the feminine market. But even when Zippo engineers look into this they have no plans for any radical redesigning of Zippos to obtain automatic lighting action.

He says he has only two frustrating problems: (1) getting proper recognition for Zippos in jewelry stores, and (2) unmasking and driving out counterfeit lighters that are sold as genuine Zippos. Of the first problem he says: "If we'd boosted the price of the plain, unadorned Zippo from \$2.50 to \$5 instead of stopping at \$3.50, as we did a few years ago, we'd get a better sales push in the jewelry stores." And of the second problem he says: "I don't know what to do about it. Counterfeiting started just two years after we got going, when the Japanese copied our product."

Aside from these irritations, Blaisdell is a happy man. He spends two months each winter in Florida, puts in many hours a week in summer scooting about the Bradford countryside in one of his two new Cadillacs or in his Jaguar.

"I haven't worked harder than millions of other men," he says. "I have no special talents at all. So, after I'm in bed at night, I mean it when I say: 'Thanks.'"

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The Too Beautiful Boom?

The economy has never looked brighter. Every indicator tells the same story of our extraordinary prosperity: The Federal Reserve index of industrial production has hit a new peak; Gross National Product for the second quarter is estimated at an annual rate of \$380-billion, which tops all previous records; and personal income in May, figured at annual rates, soared over \$300-billion for the first time in history.

In its current state of boom, the economy can be likened to "the bride who is too beautiful." Business is good—so good that it may in the long run be too good. A growing number of economists are concerned that our phenomenal rate of growth can create maladjustments that will inevitably bring on a decline.

We have always been haunted by the cyclical pattern of boom and bust. As our experience in the 1953-54 recession shows, our ability to avoid a serious downturn depends on preventing the distortions that arise when an inflationary pressure is heaped on top of an already vigorous boom.

Into the Stratosphere

There is reason to believe that the boom has reached a stage where it is comparatively easy to rocket up to the stratosphere of inflation. At present, costs and prices are in balance. But the auto and steel wage settlements are already bringing price hikes. As manufacturers are confronted with rising costs, they will tend to increase production and prices. This may, in turn, lead businessmen to build up inventories rapidly—something which usually becomes an excessive accumulation. This is a process we have experienced before in our economy, and the end result is always a painful morning after.

The most important weapon in combatting a super boom is a restrictive credit policy. The upsurge in business to date has, by itself, tightened credit. The Federal Reserve Board has wisely refused to make credit freely available, which would have invited inflation.

To Combat Inflation

It is the duty of the Federal Reserve to use its weapons when inflation threatens. But though many businessmen see the wisdom of general restraint, they protest as soon as they themselves are pinched.

It has often been said in the postwar period that at last we have learned how to even out the swings of the business cycle—and much of the country's growing confidence is based on this belief. It probably is true that we have learned how. But whether we have developed the will power, the capacity for self-denial, to do it is another question.

The critical moment for an anti-cycle policy is not at the bottom of a slump but toward the top of a boom. It is at that moment that the credit authorities have to

stick to their guns. And it is at that moment that the country in general, especially the business community, has to give the authorities support to harden their nerve. As we see it, that moment is right now.

Un-Secret Secrecy

Pres. Eisenhower's atoms-for-peace program seems to have struck its first serious snag. Ironically, the snag is a home-grown obstacle. Communist countries, hard as they have tried, still have found no way to dampen the rest of the world's enthusiasm for our proposal to pool technical skills in developing peaceful uses of atomic energy.

But now atoms-for-peace has become snarled in the Atomic Energy Commission's traditional preoccupation with secrecy.

A basic tenet of atoms-for-peace is the President's standing offer to share our resources to help other nations. To that end, we have negotiated bilateral agreements with more than a score of nations. In each case AEC prescribed the limits of cooperation.

The British negotiated what is reported to be one of the most generous agreements in terms of actual U.S. assistance; yet even they have registered strong protests. None of the information provided them under the agreement, they claim, contributes significantly to their atomic power program.

Other nations—like France and Norway, which have no agreements with us, and the Netherlands, which has—charge that U.S. secrecy bars them from information they need badly and that we could give without any risk to our military programs.

Even the U.S. State Dept. has lost patience with AEC. High officials of the department reportedly have urged the commission to declassify all information relating to power development before the International Atomic Conference at Geneva, Aug. 8 to 20.

There is no sign that AEC contemplates such action—either before or after the Geneva meetings, though it has authorized some fairly frank discussion at the conference on a few atomic power problems.

The most vociferous complaints of all, however, come from U.S. businessmen and some former officials of the commission. They point out that Britain and, probably, the USSR, will be competing with the U.S. in world markets for atomic equipment, particularly power equipment.

In the face of these activities, AEC's pussyfooting looks a little silly. Why should we let other nations cash in diplomatically—as well as let U.S. industry lose potential customers—in order to save unimportant or imagined secrets? Are we any more secure if we wait for the British or Russians to peddle these same secrets?

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